



Mary Taylor, CPA
Auditor of State

**VILLAGE OF LAGRANGE
LORAIN COUNTY**

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LORAIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lagrange
Lorain County
355 South Center Street
Lagrange, Ohio 44050

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lagrange, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lagrange, Lorain County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction, Maintenance and Repair funds thereof for the year ended December 31, 2007 and the budgetary comparison for the General, Street Construction, Maintenance and Repair, and Business Park CDBG funds thereof for the year ended December 31, 2006 in conformity with the basis of accounting Note 2 describes.

As more fully described in Note 3, the January 1, 2006 fund balance of the General Fund was restated due to reclassifying the Income Tax Fund as part of the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 6, 2009

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of the Village of LaGrange's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$216,981, or 19.70 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents was the General Fund and the Street Construction Maintenance Repair Fund.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 16.04 and 42.87 percent of the total cash received for governmental activities during the year. Property and Other Local Taxes receipts and Income Tax receipts increased .

The water distribution operation and the sanitary sewer processing operation, business-type activities, increased net assets.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The Village has two business-type activities, the provision of water distribution and sanitary sewer service. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Construction Maintenance & Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water Fund and the Sewer

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no Internal Service Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's Agency funds include the Unclaimed Monies Fund, Sidewalk Performance Bonds, Commercial Permits, and Mayor's Court.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

	(Table 1)		Net Assets			
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Cash and Cash Equivalents	\$1,318,134	\$1,101,153	\$1,535,038	\$1,195,052	\$2,853,172	\$2,296,205
Total Assets	\$1,318,134	\$1,101,153	\$1,535,038	\$1,195,052	\$2,853,172	\$2,296,205
Net Assets						
Restricted for:						
Debt Service	\$8,505	\$14,872	\$0	\$0	\$8,505	\$14,872
Other Purposes	349,652	319,604	1,535,038	1,195,052	1,884,690	1,514,656
Unrestricted	959,977	766,677	0	0	959,977	766,677
Total Net Assets	\$1,318,134	\$1,101,153	\$1,535,038	\$1,195,052	\$2,853,172	\$2,296,205

As mentioned previously, net assets of governmental activities increased \$216,981 or 19.70 percent during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- Property and Other Local Taxes increase of \$17,556 was a result of an increase in the assessed values
- Income Tax receipts increased \$95,280 due to one new business located in the Business Park and the consolidation of Keystone Local Schools within the Village.
- Reimbursement for a CDBG grant of \$97,879 was received in 2007 for 2006 Business Park Infrastructure expenditures.
- Net assets of business-type activities increased due to the receipt of access fees for new business development in the Business Park.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities, business-type activities and total primary government.

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

(Table 2) Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$178,865	\$165,314	\$1,214,964	\$969,128	\$1,393,829	1,134,442
Operating Grants and Contributions	103,698	105,846	0	0	103,698	105,846
Capital Grants and Contributions	148,860	441,720	0	0	148,860	441,720
Total Program Receipts	431,423	712,880	1,214,964	969,128	1,646,387	1,682,008
General Receipts:						
Property and Other Local Taxes	274,604	257,048	0	0	274,604	257,048
Income Taxes	733,722	638,442	0	0	733,722	638,442
Other Taxes	11,831	11,493	0	0	11,831	11,493
Grants and Entitlements Not Restricted to Specific Programs	120,636	265,572	9,621	0	130,257	265,572
Debt Proceeds	0	0	0	102,064	0	102,064
Sale of Fixed Assets	1,724	172,973	0	70	1,724	173,043
Earnings on Investments	126,389	115,866	1,236	1,434	127,625	117,300
Miscellaneous	11,351	33,682	10,063	23,431	21,414	57,113
Total General Receipts	1,280,257	1,495,076	20,920	126,999	1,301,177	1,622,075
Total Receipts	1,711,680	2,207,956	1,235,884	1,096,127	2,947,564	3,304,083
Disbursements:						
General Government	480,427	483,425	0	0	480,427	483,425
Security of Persons and Property:	464,462	424,379	0	0	464,462	424,379
Public Health Services	6,585	6,681	0	0	6,585	6,681
Leisure Time Activities	78,902	54,331	0	0	78,902	54,331
Community Environment	69,306	105,347	0	0	69,306	105,347
Basic Utilities	137,501	125,314	0	0	137,501	125,314
Transportation	45,269	192,967	0	0	45,269	192,967
Capital Outlay	72,592	824,931	0	0	72,592	824,931
Principal Retirement	69,376	67,725	0	0	69,376	67,725
Interest and Fiscal Charges	10,456	13,481	0	0	10,456	13,481
Water	0	0	495,029	644,315	495,029	644,315
Sewer	0	0	453,942	587,698	453,942	587,698
Enterprise Deposit Fund	0	0	6,750	9,046	6,750	9,046
Total Disbursements	1,434,876	2,298,581	955,721	1,241,059	2,390,597	3,539,640
Excess (Deficiency) Before Transfers	276,804	(90,625)	280,163	(144,932)	556,967	(235,557)
Transfers	(59,823)	(104,994)	59,823	104,994	0	0
Increase (Decrease) in Net Assets	216,981	(195,619)	339,986	(39,938)	556,967	(235,557)
Net Assets January 1, 2007	1,101,153	1,296,772	1,195,052	1,234,990	2,296,205	2,531,762
Net Assets December 31, 2007	\$1,318,134	\$1,101,153	\$1,535,038	\$1,195,052	\$2,853,172	\$2,296,205

Program receipts represent 55.86 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and water and sewer user charges.

General receipts represent 44.14 percent of the Village's total receipts, and of this amount, over 77.49 percent are property and other local taxes and income taxes. State and federal grants and entitlements, earnings on investments and miscellaneous make up the balance of the Village's general receipts (22.51 percent).

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and administration, solicitor's services and maintenance department.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the park; the Community Environment department are the costs of zoning issues and engineering services; Basic Utility Services are the costs for solid waste collection; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and general government, which account for 32.37 and 33.48 percent of all governmental disbursements, respectively. Basic utilities also represents a significant cost, about 9.58 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2007	2006	2007	2006
General Government	\$480,427	\$483,425	(\$446,169)	(\$452,837)
Security of Persons and Property	\$464,462	\$424,379	(\$464,462)	(\$424,379)
Public Health Services	6,585	6,681	(6,585)	(6,681)
Leisure Time Activities	78,902	54,331	(78,902)	(54,331)
Community Environment	69,306	105,347	(13,112)	(56,897)
Basic Utilities	137,501	125,314	(49,088)	(39,038)
Transportation	45,269	192,967	58,429	(82,685)
Capital Outlay	72,592	824,931	76,268	(387,647)
Principal Retirement	69,376	67,725	(69,376)	(67,725)
Interest and Fiscal Charges	10,456	13,481	(10,456)	(13,481)
Total Expenses	\$1,434,876	\$2,298,581	(\$1,003,453)	(\$1,585,701)

The dependence upon property and income tax receipts is apparent as over 70.27 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water distribution operation and sewer operation of the Village routinely reports receipts and cash disbursements that are relatively equal. The net assets of the Water Fund increased as a result of the transfer of the receipts of the 2.7 mill levy from the General Fund. In addition the net assets of the Water Fund and the Sewer Fund increased due to the receipt of access fees for new business development in the Business Park.

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Village's Funds

Total governmental funds had receipts of \$1,711,680 and disbursements of \$1,434,876. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$173,039 as the result of receiving the reimbursement for the Business Park CDBG grant, increased interest rates and limiting expenditures.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General Fund and Street Construction Maintenance and Repair Fund.

During 2007, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were more than the original budgeted receipts due to increased revenue of income tax and higher interest rates. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,721,696 while actual disbursements were \$1,305,706. The Village kept spending well within the budgeted which resulted in the increase in the unencumbered fund balance of \$107,394 for 2007.

Debt Administration

Debt

At December 31, 2007, the Village's outstanding principal debt is \$2,875,453. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Outstanding Debt	2007	2006
General Obligation Bonds	\$6,000	\$9,000
Special Assessment Bond	0	15,466
OPWC Loans	164,497	143,560
OWDA Loans	2,520,905	2,753,607
Mortgage Revenue Bond	0	6,000
General Obligation Notes	164,994	201,840
Engineering Agreement	19,057	11,418
Totals	\$2,875,453	\$3,140,891

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sheila D. Lanning, Fiscal Officer, Village of LaGrange, 355 S. Center St., LaGrange, Ohio 44050.

VILLAGE OF LAGRANGE
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,318,134	\$1,535,038	\$2,853,172
<i>Total Assets</i>	<u>\$1,318,134</u>	<u>\$1,535,038</u>	<u>\$2,853,172</u>
Net Assets			
Restricted for:			
Debt Service	\$8,505	\$0	\$8,505
Other Purposes	349,652	1,535,038	1,884,690
Unrestricted	959,977	0	959,977
<i>Total Net Assets</i>	<u>\$1,318,134</u>	<u>\$1,535,038</u>	<u>\$2,853,172</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
Security of Persons and Property	\$464,462	\$0	\$0	\$0	(\$464,462)	\$0	(\$464,462)
Public Health Services	6,585	0	0	0	(6,585)	0	(6,585)
Leisure Time Activities	78,902	0	0	0	(78,902)	0	(78,902)
Community Environment	69,306	56,194	0	0	(13,112)	0	(13,112)
Basic Utility Services	137,501	88,413	0	0	(49,088)	0	(49,088)
Transportation	45,269	0	103,698	0	58,429	0	58,429
General Government	480,427	34,258	0	0	(446,169)	0	(446,169)
Capital Outlay	72,592	0	0	148,860	76,268	0	76,268
Debt Service:							
Principal Retirement	69,376	0	0	0	(69,376)	0	(69,376)
Interest and Fiscal Charges	10,456	0	0	0	(10,456)	0	(10,456)
<i>Total Governmental Activities</i>	<u>1,434,876</u>	<u>178,865</u>	<u>103,698</u>	<u>148,860</u>	<u>(1,003,453)</u>	<u>0</u>	<u>(1,003,453)</u>
Business Type Activity							
Water	495,029	639,969	0	0	0	144,940	144,940
Sewer	453,942	566,445	0	0	0	112,503	112,503
Enterprise Deposit Fund	6,750	8,550	0	0	0	1,800	1,800
<i>Total Business Type Activities</i>	<u>955,721</u>	<u>1,214,964</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>259,243</u>	<u>259,243</u>
Total	<u>\$2,390,597</u>	<u>\$1,393,829</u>	<u>\$103,698</u>	<u>\$148,860</u>	<u>(1,003,453)</u>	<u>259,243</u>	<u>(744,210)</u>
General Receipts							
Property Taxes					274,604	0	274,604
Municipal Income Taxes					733,722	0	733,722
Other Taxes					2,144	0	2,144
Grants and Entitlements not Restricted to Specific Programs					120,636	9,621	130,257
Sale of Fixed Assets					1,724	0	1,724
Cable Franchise Fees					9,687	0	9,687
Earnings on Investments					126,389	1,236	127,625
Miscellaneous					11,351	10,063	21,414
<i>Total General Receipts</i>					<u>1,280,257</u>	<u>20,920</u>	<u>1,301,177</u>
Transfers					(59,823)	59,823	0
Total General Receipts, Transfers and Advances					<u>1,220,434</u>	<u>80,743</u>	<u>1,301,177</u>
Change in Net Assets					216,981	339,986	556,967
<i>Net Assets Beginning of Year</i>					<u>1,101,153</u>	<u>1,195,052</u>	<u>2,296,205</u>
<i>Net Assets End of Year</i>					<u>\$1,318,134</u>	<u>\$1,535,038</u>	<u>\$2,853,172</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,018,516	\$254,061	\$45,557	\$1,318,134
<i>Total Assets</i>	<u>\$1,018,516</u>	<u>\$254,061</u>	<u>\$45,557</u>	<u>\$1,318,134</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$65,646	\$1,399	\$160	\$67,205
Reserved for Unclaimed Monies	856	0	0	856
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	952,014	0	0	952,014
Special Revenue Funds	0	252,662	36,892	289,554
Debt Service Funds	0	0	8,505	8,505
<i>Total Fund Balances</i>	<u>\$1,018,516</u>	<u>\$254,061</u>	<u>\$45,557</u>	<u>\$1,318,134</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2007

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$274,604	\$0	\$0	\$274,604
Municipal Income Taxes	733,722	0	0	733,722
Intergovernmental	220,659	86,166	64,341	371,166
Special Assessments	0	0	4,172	4,172
Charges for Services	88,496	0	0	88,496
Fines, Licenses and Permits	96,687	0	3,369	100,056
Earnings on Investments	115,133	11,125	131	126,389
Miscellaneous	11,351	0	0	11,351
<i>Total Receipts</i>	<u>1,540,652</u>	<u>97,291</u>	<u>72,013</u>	<u>1,709,956</u>
Disbursements				
Current:				
Security of Persons and Property	464,462	0	0	464,462
Public Health Services	6,585	0	0	6,585
Leisure Time Activities	78,902	0	0	78,902
Community Environment	69,306	0	0	69,306
Basic Utility Services	137,501	0	0	137,501
Transportation	2,203	31,563	11,503	45,269
General Government	480,267	0	160	480,427
Capital Outlay	835	24,948	46,809	72,592
Debt Service:				
Principal Retirement	0	0	69,376	69,376
Interest and Fiscal Charges	0	0	10,456	10,456
<i>Total Disbursements</i>	<u>1,240,061</u>	<u>56,511</u>	<u>138,304</u>	<u>1,434,876</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>300,591</u>	<u>40,780</u>	<u>(66,291)</u>	<u>275,080</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	1,724	0	0	1,724
Transfers In	0	0	69,453	69,453
Transfers Out	(129,276)	0	0	(129,276)
<i>Total Other Financing Sources (Uses)</i>	<u>(127,552)</u>	<u>0</u>	<u>69,453</u>	<u>(58,099)</u>
<i>Net Change in Fund Balances</i>	173,039	40,780	3,162	216,981
<i>Fund Balances Beginning of Year</i>	<u>845,477</u>	<u>213,281</u>	<u>42,395</u>	<u>1,101,153</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,018,516</u></u>	<u><u>\$254,061</u></u>	<u><u>\$45,557</u></u>	<u><u>\$1,318,134</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$297,559	\$307,077	\$274,604	(\$32,473)
Municipal Income Taxes	560,000	731,000	733,722	2,722
Intergovernmental	59,791	214,791	220,659	5,868
Charges for Services	80,000	80,000	88,496	8,496
Fines, Licenses and Permits	10,000	91,000	96,687	5,687
Earnings on Investments	9,357	77,357	115,133	37,776
Miscellaneous	0	11,000	11,351	351
<i>Total receipts</i>	<u>1,016,707</u>	<u>1,512,225</u>	<u>1,540,652</u>	<u>28,427</u>
Disbursements				
Current:				
Security of Persons and Property	404,986	536,024	492,810	43,214
Public Health Services	6,681	6,681	6,585	96
Leisure Time Activities	67,000	83,000	79,008	3,992
Community Environment	61,862	99,963	98,046	1,917
Basic Utility Services	21,000	141,150	137,501	3,649
Transportation	3,000	39,000	2,203	36,797
General Government	431,017	815,042	488,717	326,325
Capital Outlay	0	836	836	0
<i>Total Disbursements</i>	<u>995,546</u>	<u>1,721,696</u>	<u>1,305,706</u>	<u>415,990</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,161</u>	<u>(209,471)</u>	<u>234,946</u>	<u>444,417</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	0	1,724	1,724
Transfers Out	(59,637)	(201,553)	(129,276)	72,277
Other Financing Sources	643	643	0	(643)
<i>Total Other Financing Sources (Uses)</i>	<u>(58,994)</u>	<u>(200,910)</u>	<u>(127,552)</u>	<u>73,358</u>
<i>Net Change in Fund Balance</i>	(37,833)	(410,381)	107,394	517,775
<i>Unencumbered Fund Balance Beginning of Year</i>	802,066	802,066	802,066	0
<i>Prior Year Encumbrances Appropriated</i>	<u>43,410</u>	<u>43,410</u>	<u>43,410</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$807,643</u>	<u>\$435,095</u>	<u>\$952,870</u>	<u>\$517,775</u>
<i>Unclaimed Money</i>			<u>856</u>	
<i>Unencumbered Undesignated Fund Balance</i>			<u>\$952,014</u>	

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$69,500	\$81,500	\$86,166	\$4,666
Earnings on Investments	500	8,500	11,125	2,625
<i>Total receipts</i>	70,000	90,000	97,291	7,291
Disbursements				
Current:				
Transportation	51,398	169,304	32,962	136,342
Capital Outlay	43,948	43,948	24,948	19,000
<i>Total Disbursements</i>	95,346	213,252	57,910	155,342
<i>Excess of Receipts Over (Under) Disbursements</i>	(25,346)	(123,252)	39,381	162,633
<i>Net Change in Fund Balance</i>	(25,346)	(123,252)	39,381	162,633
<i>Unencumbered Fund Balance Beginning of Year</i>	187,905	187,905	187,905	0
Prior Year Encumbrances Appropriated	25,376	25,376	25,376	0
<i>Unencumbered Fund Balance End of Year</i>	\$187,935	\$90,029	\$252,662	\$162,633

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Cash Basis Assets and Fund Balances
Proprietary Funds
December 31, 2007

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$810,808	\$699,580	\$24,650	\$1,535,038
<i>Total Assets</i>	<u>\$810,808</u>	<u>\$699,580</u>	<u>\$24,650</u>	<u>\$1,535,038</u>
Net Assets				
Restricted for:				
Other Purposes	\$810,808	\$699,580	\$24,650	\$1,535,038
Total Net Assets	<u>\$810,808</u>	<u>\$699,580</u>	<u>\$24,650</u>	<u>\$1,535,038</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
Operating Receipts				
Charges for Services	\$639,969	\$566,445	\$8,550	\$1,214,964
<i>Total Operating Receipts</i>	<u>639,969</u>	<u>566,445</u>	<u>8,550</u>	<u>1,214,964</u>
Operating Disbursements				
Personal Services	32,283	77,145	0	109,428
Employee Fringe Benefits	17,753	35,117	0	52,870
Contractual Services	280,754	120,702	0	401,456
Supplies and Materials	19,521	34,552	0	54,073
Other	0	0	6,750	6,750
<i>Total Operating Disbursements</i>	<u>350,311</u>	<u>267,516</u>	<u>6,750</u>	<u>624,577</u>
<i>Operating Income (Loss)</i>	289,658	298,929	1,800	590,387
Non-Operating Receipts (Disbursements)				
Intergovernmental	2,870	6,751	0	9,621
Earnings on Investments	0	1,236	0	1,236
Miscellaneous Receipts	2,694	7,369	0	10,063
Principal Payments	(106,260)	(147,442)	0	(253,702)
Interest and Fiscal Charges	(38,458)	(38,984)	0	(77,442)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(139,154)</u>	<u>(171,070)</u>	<u>0</u>	<u>(310,224)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>150,504</u>	<u>127,859</u>	<u>1,800</u>	<u>280,163</u>
Transfers In	59,823	0	0	59,823
<i>Change in Net Assets</i>	210,327	127,859	1,800	339,986
<i>Net Assets Beginning of Year</i>	<u>600,481</u>	<u>571,721</u>	<u>22,850</u>	<u>1,195,052</u>
<i>Net Assets End of Year</i>	<u>\$810,808</u>	<u>\$699,580</u>	<u>\$24,650</u>	<u>\$1,535,038</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$34,581</u>
<i>Total Assets</i>	<u><u>\$34,581</u></u>
Net Assets	
Restricted for:	
Other Purposes	<u>\$34,581</u>
Total Net Assets	<u><u>\$34,581</u></u>

See accompanying notes to the basic financial statements

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Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 1 – Reporting Entity

The Village of LaGrange, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, and police services.

B. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The LaGrange Joint Park and Recreation Board was created on October 13, 1997 to oversee the operation of the LaGrange Community Park. The Board is comprised of five members who are residents of either the Village or the Township. Two members are appointed by the Village Council and the Township Trustees each with the fifth member, designated as chairperson for one year, appointed, on an annual alternating basis, by the Village Council and the Township Trustees. The Board must receive approval from the legislative bodies of both the Village and the Township on any contracts, agreements, and other commitments for expenditure of property. The Village and the Township have an equal interest in the real and personal property of the Park and share equally in the cost and contributions toward the Park.

The Village also entered into an agreement with LaGrange Township for the purchase of land for a proposed Village/Township hall. The cost of the property was equally divided with the Village's share being \$145,000. The Village of LaGrange and LaGrange Township formed the LaGrange Community Improvement Corporation in March 2005 to act as agent for the Village and Township to develop and implement a plan for the subdivision, sale and lease of real estate jointly owned by the Village and the Township. The LaGrange Community Improvement Corporation was formed for the purposes of advancing, encouraging and promoting the light industrial economic, commercial distribution and research activities to provide opportunities for gainful employment and for civil development within the 38.96 acres of the property owned by the Village and Township.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB)

Note 2 – Summary of Significant Accounting Policies (continued)

pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non-operating.

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund and the Street Construction Maintenance & Repair Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio with the exception of a one-half percent income tax collected that is limited to police department and street repair expenditures. The Street Construction Maintenance & Repair Fund receives gasoline tax and motor vehicle tax for the purpose of constructing, maintaining, and repairing Village streets. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village does not have an internal service fund.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water fund and sewer fund.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village service territory.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village service territory.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for Unclaimed Funds, Sidewalk Performance Bonds, Commercial Permits, and Mayor's Court.

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, division, and, within each, the amount appropriated for personal services.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue) respectively.

During 2007, the Village invested in nonnegotiable certificates of deposit, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$115,133 which includes \$69,551 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Note 2 – Summary of Significant Accounting Policies (continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the construction and maintenance of Village streets and the support of the police department.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which are not available for appropriation or which are legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and unclaimed monies.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Street Construction, Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$65,646 for the General Fund and \$1,399 for the Street Construction, Maintenance and Repair Fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Note 4 – Deposits and Investments (continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporations, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 4 – Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the Village's bank balances of \$164,418 were all insured by the Federal Depository Insurance Corporation.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2007, the Village had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$2,770,679</u>	Less than 1 year

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's does not have an investment policy beyond the requirements of state statute. Ohio law addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Income Taxes

The Village levies a 1.0 percent income tax whose proceeds are placed into the General Fund and another .5% levy that is in the General Fund but is limited to expenditures for law enforcement and street repairs. The Village levies the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (R.I.T.A.) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 12.5 percent for 2007. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$7.93 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$40,084,840
Commercial/Industrial/Mineral	10,281,070
Tangible Personal Property	
Public Utility Personal	1,560,820
Tangible Personal	2,591,758
Total Assessed Value	<u><u>\$54,518,488</u></u>

Note 7 – Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Law enforcement liability;
- Public official liability;
- Employee dishonesty;
- Boiler and machinery;
- Vehicles, and
- Errors and omissions

The Village provides health insurance with dental, vision, and prescription coverage to full-time employees through the Lorain County Health Care Insurance Program. Term life insurance obtained through Lorain County is also provided to full-time employees.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$36,185, \$36,973, and \$36,483 respectively. The full amount has been contributed for 2007, 2006 and 2005.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2007, 2006, and 2005 were \$28,492, \$26,975, and \$23,995. The full amount has been contributed for 2007, 2006, and 2005.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after ten years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$17,702. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007 were \$ 12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$ 30.7 billion and \$ 18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care program.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 9 - Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The total police employer contribution rate is 19.50 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 that were used to fund postemployment benefits was \$18,758 for police. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$ 120,373,722 which was net of member contributions of \$ 58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 13,922 for police and 10,537 for firefighters.

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond Sewer 1987-2009 - \$51,000.00	5.88%	\$9,000	\$0	\$3,000	\$6,000	\$3,000
Special Assessment Bond Square Improvement 1992-2007 - \$232,000	7.75%	15,466	0	15,466	0	0
Ohio Public Works Commission Forest Street loan 2001-2011 - \$105,469	0%	42,188	0	10,547	31,641	10,547
Factory Street loan 2005-2014 - \$35,163	0%	26,372	0	3,516	22,856	3,516
Keywood Blvd. loan 2007-2018 - \$50,000	0%	0	50,000	0	50,000	2,500
Loan Park/38 acres 2003-2012 - \$336,000	4.54%	201,840	0	36,846	164,994	38,499
Engineering Agreement ** 2006-2017 - \$325,000	0%	11,418	7,639	0	19,057	32,500
Total Governmental Activities		\$306,284	\$57,639	\$69,375	\$294,548	\$90,562

** - As of December 31, 2007 the Village had only drawn \$19,057 from the Lorain County Engineer to pay engineering expenses for the State Route 301 project. The total cooperative agreement was for \$325,000 with the first of 10 annual payments of \$32,500 being due on June 6, 2008. The remaining balance will be drawn as the project progresses.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – Debt (continued)

	Interest Rate	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
<u>Business-Type Activities</u>						
Mortgage Revenue Bond Sewer 1973-2007 - \$129,000	4.50%	\$6,000	\$0	\$6,000	\$0	\$0
Ohio Public Works Commission Water Transmission Line 1992-2012 - \$300,000	0%	75,000	0	15,000	60,000	15,000
Ohio Water Development Loans Lagoon & Sludge facilities 1660 1988-2008 - \$55,504	8.26%	5,323	0	5,323	0	0
Lagoon & Sludge facilities 1661 1988-2008 - \$44,500	8.47%	4,326	0	4,326	0	0
Lagoon & Sludge facilities 1662 1989-2008 - \$37,830	8.09%	3,592	0	3,592	0	0
Water Transmission Line 1663 1992-2011 - \$100,000	7.56%	36,383	0	7,103	29,280	7,640
Sewer Plant Revisions 1664 1993-2012 - \$358,618	7.24%	151,826	0	23,493	128,333	25,194
S. Center St. Water 2034 1996-2011 - \$95,421	6.51%	34,781	0	7,891	26,890	8,404
Waste Water plant 3452 2002-2022 - \$2,248,188	1.5%	1,747,482	0	104,709	1,642,773	106,286
Elevated Water tank 4074 2006-2015 - \$878,140	4.48%	769,894	0	76,265	693,629	79,200
Total Business-Type Activities		<u>\$2,834,607</u>	<u>\$0</u>	<u>\$253,702</u>	<u>\$2,580,905</u>	<u>\$241,724</u>

The General Obligation Bond is supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The Special Assessment Bond is paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the Village.

The Ohio Public Works Commission (OPWC) loans were for the improvement of Village streets and the installation of a waterline. The Governmental Activities OPWC loans are collateralized by the Village's taxing authority and the Business Type Activities OPWC loan is collateralized by water revenue.

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant expansion and water improvement projects and the construction of a new elevated water tower project. The loans are secured by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – Debt (continued)

The loan for the purchase of park land and the loan for the engineering cooperative agreement are collateralized by the Village's taxing authority.

The following is a summary of the Village's future annual debt service requirements:

Year	G.O. Bonds		Engineering Agree.		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$3,000	\$353	\$32,500	\$0	\$31,563	\$0
2009	3,000	176	32,500	0	34,063	0
2010	0	0	32,500	0	34,063	0
2011	0	0	32,500	0	23,516	0
2012	0	0	32,500	0	8,516	0
2013–2117	0	0	162,500	0	30,276	0
2018–2022	0	0	0	0	2,500	0
Totals	<u>\$6,000</u>	<u>\$529</u>	<u>\$325,000</u>	<u>\$0</u>	<u>\$164,497</u>	<u>\$0</u>

Year	Land Loan		OWDA Loans	
	Principal	Interest	Principal	Interest
2008	\$38,499	\$7,075	\$227,245	\$67,219
2009	40,287	5,287	235,405	59,162
2010	42,137	3,437	243,965	50,714
2011	44,071	1,502	237,866	41,850
2012	0	0	224,087	33,559
2013–2117	0	0	847,404	80,029
2018–2022	0	0	504,933	17,190
Totals	<u>\$164,994</u>	<u>\$17,301</u>	<u>\$2,520,905</u>	<u>\$349,723</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$5,724,441 and an unvoted debt margin of \$2,998,516.

Note 11 – Interfund Transfers

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$69,453
Water Enterprise Fund	<u>59,823</u>
Total Transfers from the General Fund	<u>\$129,276</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 12 – Construction and Contractual Commitments

The Village had been awarded a Community Development Block Grant for construction of a roadway, drainage and sidewalks in the LaGrange Business Park. The project was completed in 2007.

Note 13 – Contingent Liabilities

The Village is not aware of any pending lawsuits. Although management cannot presently determine the outcome of any suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 14 – Joint Ventures

As previously stated in Note 1, the Village and LaGrange Township share the cost of operation and development of the LaGrange Business Park.

The purchase of property (38 acres) by the Village and LaGrange Township is being developed as the LaGrange Business Park. Costs for development are being shared equally.

The actions of the joint ventures have not been included in these financial statements.

Note 15 – Jointly Governed Organizations

The LaGrange Community Improvement Corporation is comprised of two Village members and two Township members. See note 1 description.

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Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of the Village of LaGrange's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$195,619, or 15.09 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 11.64 and 28.92 percent of the total cash received for governmental activities during the year. Property and Other Local Taxes receipts increased while Income Tax receipts decreased.

The water distribution operation, a business-type activity, increased net assets. The sewer operation had decreased net assets.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The Village has two business-type activities, the provision of water distribution and sanitary sewer service. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Street Construction Maintenance & Repair Fund, and the Business Park CDBG Fund.. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water Fund and the Sewer

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no Internal Service Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's Agency funds include the Unclaimed Monies Fund, Sidewalk Performance Bonds, Commercial Permits, and Mayor's Court.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

Table 1

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$1,101,153	\$1,296,772	\$1,195,052	\$1,234,991	\$2,296,205	\$2,531,763
Total Assets	<u>\$1,101,153</u>	<u>\$1,296,772</u>	<u>\$1,195,052</u>	<u>\$1,234,991</u>	<u>\$2,296,205</u>	<u>\$2,531,763</u>
Net Assets						
Restricted for:						
Debt Service	\$14,872	\$15,679	\$0	\$0	\$14,872	\$15,679
Other Purposes	319,604	422,368	1,195,052	1,234,991	1,514,656	1,657,359
Unrestricted	766,677	858,725	0	0	766,677	858,725
Total Net Assets	<u>\$1,101,153</u>	<u>\$1,296,772</u>	<u>\$1,195,052</u>	<u>\$1,234,991</u>	<u>\$2,296,205</u>	<u>\$2,531,763</u>

As mentioned previously, net assets of governmental activities decreased \$195,619 or 15.09 percent during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- Property and Other Local Taxes increase of \$26,643 was a result of an increase in the assessed values.
- Income Tax receipts decreased \$36,137 due to fewer new house permits issued in 2006 as well as the depression of the regional economy.
- Revenue from the sale of property in the Business Park was used for construction of the infrastructure of the Business Park. The General Fund also provided additional funding necessary to complete the construction.
- The CDBG grant assisted with the construction costs for the development of infrastructure for the Business Park.
- Net assets of business-type activities decreased due to capital outlay for the Business Park utility line and equipment.

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities, business-type activities and total primary government.

(Table 2) Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2006	2005
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$165,314	\$171,925	\$969,128	\$1,003,590	\$1,134,442	\$1,175,515
Operating Grants and Contributions	105,846	106,661	0	0	105,846	106,661
Capital Grants and Contributions	441,720	94,480	0	0	441,720	94,480
Total Program Receipts	712,880	373,066	969,128	1,003,590	1,682,008	1,376,656
General Receipts:						
Property and Other Local Taxes	257,048	230,405	0	0	257,048	230,405
Income Taxes	638,442	674,579	0	0	638,442	674,579
Other Taxes	11,493	8,097	0	0	11,493	8,097
Grants and Entitlements Not Restricted to Specific Programs	265,572	103,941	0	0	265,572	103,941
Debt Proceeds	0	0	102,064	409,050	102,064	409,050
Sale of Fixed Assets	172,973	0	70	1,000	173,043	1,000
Earnings on Investments	115,866	78,369	1,434	840	117,300	79,209
Miscellaneous	33,682	10,940	23,431	486	57,113	11,426
Total General Receipts	1,495,076	1,106,331	126,999	411,376	1,622,075	1,517,707
Total Receipts	2,207,956	1,479,397	1,096,127	1,414,966	3,304,083	2,894,363
Disbursements:						
General Government	483,425	489,028	0	0	483,425	489,028
Security of Persons and Property:	424,379	432,901	0	0	424,379	432,901
Public Health Services	6,681	6,058	0	0	6,681	6,058
Leisure Time Activities	54,331	55,454	0	0	54,331	55,454
Community Environment	105,347	134,018	0	0	105,347	134,018
Basic Utilities	125,314	106,712	0	0	125,314	106,712
Transportation	192,967	106,162	0	0	192,967	106,162
Capital Outlay	824,931	90,560	0	0	824,931	90,560
Principal Retirement	67,725	66,196	0	0	67,725	66,196
Interest and Fiscal Charges	13,481	16,385	0	0	13,481	16,385
Water	0	0	644,315	943,350	644,315	943,350
Sewer	0	0	587,698	412,951	587,698	412,951
Enterprise Deposit Fund	0	0	9,046	6,550	9,046	6,550
Total Disbursements	2,298,581	1,503,474	1,241,059	1,362,851	3,539,640	2,866,325
Excess (Deficiency) Before Transfers	(90,625)	(24,077)	(144,932)	52,115	(235,557)	28,038
Transfers	(104,994)	(122,074)	104,994	122,074	0	0
Increase (Decrease) in Net Assets	(195,619)	(146,151)	(39,938)	174,189	(235,557)	28,038
Net Assets, January 1, 2006	1,296,772	1,442,923	1,234,990	1,060,801	2,531,762	2,503,724
Net Assets December 31, 2006	\$1,101,153	\$1,296,772	\$1,195,052	\$1,234,990	\$2,296,205	\$2,531,762

Program receipts represent 32.29 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and water and sewer user charges.

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

General receipts represent 67.71 percent of the Village's total receipts, and of this amount, 77.66 percent are property and other local taxes, income taxes, and grants and entitlements not restricted to specific programs. Debt proceeds, sale of fixed assets, earnings on investments and miscellaneous make up the balance of the Village's general receipts (22.34 percent).

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and administration, solicitor's services and maintenance department.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the park; the Community Environment department are the costs of zoning issues and engineering services; Basic Utility Services are the costs for solid waste collection; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and capital outlay, which account for 18.46 and 35.88 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 21.03 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
General Government	\$483,425	\$489,028	(\$452,837)	(\$457,290)
Security of Persons and Property	\$424,379	\$432,901	(\$424,379)	(\$432,901)
Public Health Services	6,681	6,058	(6,681)	(6,058)
Leisure Time Activities	54,331	55,454	(54,331)	(55,454)
Community Environment	105,347	134,018	(56,897)	(76,009)
Basic Utilities	125,314	106,712	(39,038)	(24,534)
Transportation	192,967	106,162	(82,685)	94,979
Capital Outlay	824,931	90,560	(387,647)	(90,560)
Principal Retirement	67,725	66,196	(67,725)	(66,196)
Interest and Fiscal Charges	13,481	16,385	(13,481)	(16,385)
Total Expenses	\$2,298,581	\$1,503,474	(\$1,585,701)	(\$1,130,408)

The dependence upon property and income tax receipts is apparent as over 38.95 percent of governmental activities are supported through these general receipts.

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Business-type Activities

The water distribution operation and sewer operation of the Village routinely reports receipts and cash disbursements that are relatively equal. The net assets of the Water Fund increased as a result of the transfer of the receipts of the 2.7 mill levy from the General Fund. The net assets of the Sewer Fund decreased due to expenditures for the construction of the Business Park utility line and purchase of equipment.

The Village's Funds

Total governmental funds had receipts of \$2,207,956 and disbursements of \$2,298,581. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$147,767 as the result of expenditures for the construction of infrastructure for the Business Park.

General Fund receipts were less than disbursements by \$139,658 indicating that the General Fund is in a deficit spending situation in 2006 due to the Business Park project.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General Fund, Street Construction Maintenance and Repair Fund and Business Park CDBG Fund.

During 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were more than the original budgeted receipts due to increased revenue for the sale of property and higher interest rates. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$2,070,689 while actual disbursements were \$1,656,099. The Village kept spending within the . Expenditures were higher than revenues as previous fund balance was used. The result is the decrease in unencumbered fund balance of \$191,108 for 2006.

Debt Administration

Debt

At December 31, 2006, the Village's outstanding principal debt is \$3,140,891. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Outstanding Debt	2006	2005
General Obligation Bonds	\$9,000	\$12,000
Special Assessment Bond	15,466	30,933
OPWC Loans	143,560	172,623
OWDA Loans	2,753,607	2,872,387
Mortgage Revenue Bond	6,000	12,000
General Obligation Notes	201,840	237,035
Engineering Agreement	11,418	
Totals	\$3,140,891	\$3,336,978

Village of LaGrange
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sheila D. Lanning, Fiscal Officer, Village of LaGrange, 355 S. Center St., LaGrange, Ohio 44050.

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VILLAGE OF LAGRANGE
Statement of Net Assets - Cash Basis
 December 31, 2006

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,101,153	\$1,195,052	\$2,296,205
<i>Total Assets</i>	<u>\$1,101,153</u>	<u>\$1,195,052</u>	<u>\$2,296,205</u>
Net Assets			
Restricted for:			
Debt Service	\$14,872	\$0	\$14,872
Other Purposes	319,604	1,195,052	1,514,656
Unrestricted	766,677	0	766,677
<i>Total Net Assets</i>	<u>\$1,101,153</u>	<u>\$1,195,052</u>	<u>\$2,296,205</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
Security of Persons and Property	\$424,379	\$0	\$0	\$0	(\$424,379)	\$0	(\$424,379)
Public Health Services	6,681	0	0	0	(6,681)	0	(6,681)
Leisure Time Activities	54,331	0	0	0	(54,331)	0	(54,331)
Community Environment	105,347	48,450	0	0	(56,897)	0	(56,897)
Basic Utility Services	125,314	86,276	0	0	(39,038)	0	(39,038)
Transportation	192,967	0	105,846	4,436	(82,685)	0	(82,685)
General Government	483,425	30,588	0	0	(452,837)	0	(452,837)
Capital Outlay	824,931	0	0	437,284	(387,647)	0	(387,647)
Debt Service:							
Principal Retirement	67,725	0	0	0	(67,725)	0	(67,725)
Interest and Fiscal Charges	13,481	0	0	0	(13,481)	0	(13,481)
<i>Total Governmental Activities</i>	<u>2,298,581</u>	<u>165,314</u>	<u>105,846</u>	<u>441,720</u>	<u>(1,585,701)</u>	<u>0</u>	<u>(1,585,701)</u>
Business Type Activity							
Water	644,315	493,459	0	0	0	(150,856)	(150,856)
Sewer	587,698	465,969	0	0	0	(121,729)	(121,729)
Enterprise Deposit Fund	9,046	9,700	0	0	0	654	654
<i>Total Business Type Activities</i>	<u>1,241,059</u>	<u>969,128</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(271,931)</u>	<u>(271,931)</u>
Total	<u>\$3,539,640</u>	<u>\$1,134,442</u>	<u>\$105,846</u>	<u>\$441,720</u>	<u>(1,585,701)</u>	<u>(271,931)</u>	<u>(1,857,632)</u>
General Receipts							
Property Taxes					257,048	0	257,048
Municipal Income Taxes					638,442	0	638,442
Other Taxes					2,358	0	2,358
Grants and Entitlements not Restricted to Specific Programs					265,572	0	265,572
Other Debt Proceeds					0	102,064	102,064
Sale of Fixed Assets					172,973	70	173,043
Cable Franchise Fees					9,135	0	9,135
Earnings on Investments					115,866	1,434	117,300
Miscellaneous					33,682	23,431	57,113
<i>Total General Receipts</i>					<u>1,495,076</u>	<u>126,999</u>	<u>1,622,075</u>
Transfers					(104,994)	104,994	0
Total General Receipts, Transfers and Advances					<u>1,390,082</u>	<u>231,993</u>	<u>1,622,075</u>
Change in Net Assets					(195,619)	(39,938)	(235,557)
<i>Net Assets Beginning of Year</i>					<u>1,296,772</u>	<u>1,234,990</u>	<u>2,531,762</u>
<i>Net Assets End of Year</i>					<u>\$1,101,153</u>	<u>\$1,195,052</u>	<u>\$2,296,205</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$845,477	\$213,281	\$42,395	\$1,101,153
<i>Total Assets</i>	<u>\$845,477</u>	<u>\$213,281</u>	<u>\$42,395</u>	<u>\$1,101,153</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$43,411	\$25,376	\$59	\$68,846
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	802,066	0	0	802,066
Special Revenue Funds	0	187,905	27,464	215,369
Debt Service Funds	0	0	14,872	14,872
<i>Total Fund Balances</i>	<u>\$845,477</u>	<u>\$213,281</u>	<u>\$42,395</u>	<u>\$1,101,153</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Street Const. Maint. Rep.	Business Park CDBG	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$257,048	\$0	\$0	\$0	\$257,048
Municipal Income Taxes	638,443	0	0	0	638,443
Intergovernmental	268,932	88,442	298,900	155,788	812,062
Special Assessments	0	0	0	4,436	4,436
Charges for Services	86,346	0	0	0	86,346
Fines, Licenses and Permits	84,075	0	0	3,025	87,100
Earnings on Investments	104,633	11,073	0	160	115,866
Miscellaneous	33,553	0	0	59	33,682
<i>Total Receipts</i>	<u>1,473,030</u>	<u>99,515</u>	<u>298,900</u>	<u>163,468</u>	<u>2,034,983</u>
Disbursements					
Current:					
Security of Persons and Property	424,379	0	0	0	424,379
Public Health Services	6,681	0	0	0	6,681
Leisure Time Activities	54,331	0	0	0	54,331
Community Environment	105,347	0	0	0	105,347
Basic Utility Services	125,314	0	0	0	125,314
Transportation	44,244	119,777	0	28,946	192,967
General Government	483,241	0	0	184	483,425
Capital Outlay	369,151	18,496	298,900	138,384	824,931
Debt Service:					
Principal Retirement	0	0	0	67,725	67,725
Interest and Fiscal Charges	0	0	0	13,481	13,481
<i>Total Disbursements</i>	<u>1,612,688</u>	<u>138,273</u>	<u>298,900</u>	<u>248,720</u>	<u>2,298,581</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(139,658)</u>	<u>(38,758)</u>	<u>0</u>	<u>(85,252)</u>	<u>(263,598)</u>
Other Financing Sources (Uses)					
Sale of Fixed Assets	172,973	0	0	0	172,973
Transfers In	54	0	0	76,088	76,142
Transfers Out	(181,136)	0	0	0	(181,136)
<i>Total Other Financing Sources (Uses)</i>	<u>(8,109)</u>	<u>0</u>	<u>0</u>	<u>76,088</u>	<u>67,979</u>
<i>Net Change in Fund Balances</i>	<u>(147,767)</u>	<u>(38,758)</u>	<u>0</u>	<u>(9,164)</u>	<u>(195,619)</u>
<i>Fund Balances Beginning of Year</i>	<u>993,174</u>	<u>252,039</u>	<u>0</u>	<u>51,559</u>	<u>1,296,772</u>
<i>Fund Balances End of Year</i>	<u>\$845,407</u>	<u>\$213,281</u>	<u>\$0</u>	<u>\$42,395</u>	<u>\$1,101,153</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$265,869	\$288,354	\$257,048	(\$31,306)
Municipal Income Taxes	540,000	635,000	638,443	3,443
Intergovernmental	52,491	89,580	268,932	179,352
Charges for Services	80,000	231,212	86,346	(144,866)
Fines, Licenses and Permits	6,000	80,100	84,075	3,975
Earnings on Investments	6,357	95,357	104,633	9,276
Miscellaneous	0	33,099	33,623	524
<i>Total receipts</i>	<u>950,717</u>	<u>1,452,702</u>	<u>1,473,100</u>	<u>20,398</u>
Disbursements				
Current:				
Security of Persons and Property	326,367	490,944	450,786	40,158
Public Health Services	3,100	6,681	6,681	0
Leisure Time Activities	21,700	124,010	54,331	69,679
Community Environment	69,126	136,461	105,360	31,101
Basic Utility Services	19,160	128,082	125,314	2,768
Transportation	19,876	75,159	44,243	30,916
General Government	387,559	726,069	500,233	225,836
Capital Outlay	151,283	383,283	369,151	14,132
<i>Total Disbursements</i>	<u>998,171</u>	<u>2,070,689</u>	<u>1,656,099</u>	<u>414,590</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,454)</u>	<u>(617,987)</u>	<u>(182,999)</u>	<u>434,988</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	172,500	172,973	473
Transfers In	0	25	54	29
Transfers Out	(2,973)	(181,136)	(181,136)	0
Other Financing Sources	643	643	0	(643)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,330)</u>	<u>(7,968)</u>	<u>(8,109)</u>	<u>(141)</u>
<i>Net Change in Fund Balance</i>	(49,784)	(625,955)	(191,108)	434,847
<i>Unencumbered Fund Balance Beginning of Year</i>	898,698	898,698	898,698	0
<i>Prior Year Encumbrances Appropriated</i>	<u>94,476</u>	<u>94,476</u>	<u>94,476</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$943,390</u></u>	<u><u>\$367,219</u></u>	<u><u>\$802,066</u></u>	<u><u>\$434,847</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 Street Construction, Maintenance and Repair Fund
 For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$59,500	\$88,000	\$88,442	\$442
Earnings on Investments	500	9,000	11,073	2,073
<i>Total receipts</i>	<u>60,000</u>	<u>97,000</u>	<u>99,515</u>	<u>2,515</u>
Disbursements				
Current:				
Transportation	66,484	205,040	120,205	84,835
Capital Outlay	0	43,444	43,444	0
<i>Total Disbursements</i>	<u>66,484</u>	<u>248,484</u>	<u>163,649</u>	<u>84,835</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,484)</u>	<u>(151,484)</u>	<u>(64,134)</u>	<u>87,350</u>
<i>Net Change in Fund Balance</i>	(6,484)	(151,484)	(64,134)	87,350
<i>Unencumbered Fund Balance Beginning of Year</i>	244,555	245,555	245,555	0
Prior Year Encumbrances Appropriated	<u>6,484</u>	<u>6,484</u>	<u>6,484</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$244,555</u>	<u>\$100,555</u>	<u>\$187,905</u>	<u>\$87,350</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Business Park CDBG Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$0	\$298,900	\$298,900	\$0
<i>Total receipts</i>	<u>0</u>	<u>298,900</u>	<u>298,900</u>	<u>0</u>
Disbursements				
Current:				
Capital Outlay	0	298,900	298,900	0
<i>Total Disbursements</i>	<u>0</u>	<u>298,900</u>	<u>298,900</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Unencumbered Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Cash Basis Assets and Fund Balances
Proprietary Funds
December 31, 2006

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$600,481	\$571,721	\$22,850	\$1,195,052
<i>Total Assets</i>	<u>\$600,481</u>	<u>\$571,721</u>	<u>\$22,850</u>	<u>\$1,195,052</u>
Net Assets				
Restricted for:				
Other Purposes	\$600,481	\$571,721	\$22,850	\$1,195,052
Total Net Assets	<u>\$600,481</u>	<u>\$571,721</u>	<u>\$22,850</u>	<u>\$1,195,052</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
Operating Receipts				
Charges for Services	\$493,459	\$465,969	\$9,700	\$969,128
<i>Total Operating Receipts</i>	<u>493,459</u>	<u>465,969</u>	<u>9,700</u>	<u>969,128</u>
Operating Disbursements				
Personal Services	38,157	94,115	0	132,272
Employee Fringe Benefits	17,627	31,732	0	49,359
Contractual Services	231,330	117,292	0	348,622
Supplies and Materials	11,516	42,500	0	54,016
Other	0	0	9,046	9,046
<i>Total Operating Disbursements</i>	<u>298,630</u>	<u>285,639</u>	<u>9,046</u>	<u>593,315</u>
<i>Operating Income (Loss)</i>	<u>194,829</u>	<u>180,330</u>	<u>654</u>	<u>375,813</u>
Non-Operating Receipts (Disbursements)				
Earnings on Investments	0	1,434	0	1,434
Other Debt Proceeds	102,064	0	0	102,064
Sale of Fixed Assets	0	70	0	70
Miscellaneous Receipts	1,346	22,085	0	23,431
Capital Outlay	(206,385)	(116,872)	0	(323,257)
Principal Payments	(98,518)	(143,326)	0	(241,844)
Interest and Fiscal Charges	(40,782)	(41,861)	0	(82,643)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(242,275)</u>	<u>(278,470)</u>	<u>0</u>	<u>(520,745)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(47,446)</u>	<u>(98,140)</u>	<u>654</u>	<u>(144,932)</u>
Capital Contributions				0
Transfers In	105,048	0	0	105,048
Transfers Out	0	0	(54)	(54)
<i>Change in Net Assets</i>	<u>57,602</u>	<u>(98,140)</u>	<u>600</u>	<u>(39,938)</u>
<i>Net Assets Beginning of Year</i>	<u>542,879</u>	<u>669,861</u>	<u>22,250</u>	<u>1,234,990</u>
<i>Net Assets End of Year</i>	<u>\$600,481</u>	<u>\$571,721</u>	<u>\$22,850</u>	<u>\$1,195,052</u>

See accompanying notes to the basic financial statements

VILLAGE OF LAGRANGE
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,081</u>
<i>Total Assets</i>	<u><u>\$20,081</u></u>
Net Assets	
Restricted for:	
Other Purposes	<u>\$20,081</u>
Total Net Assets	<u><u>\$20,081</u></u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The Village of LaGrange, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, and police services.

B. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The LaGrange Joint Park and Recreation Board was created on October 13, 1997 to oversee the operation of the LaGrange Community Park. The Board is comprised of five members who are residents of either the Village or the Township. Two members are appointed by the Village Council and the Township Trustees each with the fifth member, designated as chairperson for one year, appointed, on an annual alternating basis, by the Village Council and the Township Trustees. The Board must receive approval from the legislative bodies of both the Village and the Township on any contracts, agreements, and other commitments for expenditure of property. The Village and the Township have an equal interest in the real and personal property of the Park and share equally in the cost and contributions toward the Park.

The Village also entered into an agreement with LaGrange Township for the purchase of land for a proposed Village/Township hall. The cost of the property was equally divided with the Village's share being \$145,000. The Village of LaGrange and LaGrange Township formed the LaGrange Community Improvement Corporation in March 2005 to act as agent for the Village and Township to develop and implement a plan for the subdivision, sale and lease of real estate jointly owned by the Village and the Township. The LaGrange Community Improvement Corporation was formed for the purposes of advancing, encouraging and promoting the light industrial economic, commercial distribution and research activities to provide opportunities for gainful employment and for civil development within the 38.96 acres of the property owned by the Village and Township.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund

Note 2 – Summary of Significant Accounting Policies (continued)

financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, the Street Construction Maintenance & Repair Fund, and the Business Park CDBG Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio with the exception of a one-half percent income tax collected that is limited to police department and street repair expenditures. The Street Construction Maintenance & Repair Fund receives gasoline tax and motor vehicle tax for the purpose of constructing, maintaining, and repairing Village streets. The Business Park CDBG Fund is funded through an economic development grant and is used to install infrastructure improvements into the LaGrange Business Park. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village does not have an internal service fund.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water fund and sewer fund.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village service territory.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village service territory.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for Unclaimed Funds, Sidewalk Performance Bonds, Commercial Permits, and Mayor's Court.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and related expenses) are not recorded in these financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue) respectively.

During 2006, the Village invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. A money market bank account was changed to a checking account in 2006.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$104,633 which includes \$61,467 assigned from other Village funds.

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the construction and maintenance of Village streets, installation of infrastructure improvements into the Business Park, and the support of the police department.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which are not available for appropriation or which are legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 2 – Summary of Significant Accounting Policies (continued)

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Restatement of Fund Balances

The January 1, 2006 General Fund balance was restated from \$858,725 to \$993,174. The Income Tax Fund, which had a fund balance of \$134,449 at December 31, 2005, was eliminated and included as part of the General Fund.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction, Maintenance and Repair Fund, and Business Park CDBG Fund, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$43,411 for the General Fund and \$25,376 for Street Construction, Maintenance and Repair Fund.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Note 5 – Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporations, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$72,749 of the Village's bank balance of \$303,547 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Village had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$2,065,344	Less than 1 year

Note 5 – Deposits and Investments (continued)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's does not have an investment policy beyond the requirements of state statute. Ohio law addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 6 – Income Taxes

The Village levies a 1.0 percent income tax whose proceeds are placed into the General Fund and another .5% levy that is in the General Fund but is limited to expenditures for law enforcement and street repairs. The Village levies the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of taxes paid to another city.

Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (R.I.T.A.) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 7 – Property Taxes (continued)

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 18.75 percent for 2007. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$7.93 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$35,674,780
Commercial/Industrial/Mineral	8,664,610
Tangible Personal Property	
Public Utility Personal	1,532,340
Tangible Personal	3,461,498
Total Assessed Value	<u>\$49,333,228</u>

Note 8 – Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Law enforcement liability;
- Public official liability;
- Employee dishonesty;
- Boiler and machinery;
- Vehicles, and
- Errors and omissions

The Village provides health insurance with dental, vision, and prescription coverage to full-time employees through the Lorain County Health Care Insurance Program. Term life insurance obtained through Lorain County is also provided to full-time employees.

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

Note 9 – Defined Benefit Pension Plans (continued)

A. Ohio Public Employees Retirement System (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$36,973, \$36,483, and \$32,190 respectively. The full amount has been contributed for 2006, 2005, and 2004.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2006, 2005, and 2004 were \$26,975, \$23,995 and \$23,956. The full amount has been contributed for 2006, 2005, and 2004.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care

Note 10 - Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after ten years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$18,315. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care program.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.50 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 10 - Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits was \$17,759.95 for police. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 was 13,992 for police.

Note 11 – Debt

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond Sewer 1987-2009 - \$51,000.00	5.88%	\$12,000	\$0	\$3,000	\$9,000	\$3,000
Special Assessment Bond Square Improvement 1992-2007 - \$232,000	7.75%	30,933	0	15,467	15,466	15,466
Ohio Public Works Commission Forest Street loan 2001-2011 - \$105,469	0%	52,734	0	10,547	42,188	10,547
Factory Street loan 2005-2014 - \$35,163	0%	29,889	0	3,516	26,372	3,516
Loan Park/38 acres 2003-2012-\$336,000	4.54%	237,035	0	35,195	201,840	36,846
Engineering Agreement ** 2006-2017 - \$325,000	0%	0	11,418	0	11,418	0
Total Governmental Activities		<u>\$362,591</u>	<u>\$11,418</u>	<u>\$67,725</u>	<u>\$306,284</u>	<u>\$69,375</u>

** - As of December 31, 2006 the Village had only drawn \$11,418 from the Lorain County Engineer to pay engineering expenses for the State Route 301 project. The total cooperative agreement was for \$325,000 with the first of 10 annual payments of \$32,500 being due on June 6, 2008. The remaining balance will be drawn as the project progresses.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 11 – Debt (continued)

	Interest Rate	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006	Due Within One Year
<u>Business-Type Activities</u>						
Mortgage Revenue Bond Sewer 1973-2007 - \$129,000	4.50%	\$12,000	\$0	\$6,000	\$6,000	\$6,000
Ohio Public Works Commission Water Transmission Line 1992-2012 - \$300,000	0%	90,000	0	15,000	75,000	15,000
Ohio Water Development Loans Lagoon & Sludge facilities 1660 1988-2008 - \$55,504	8.26%	10,240	0	4,917	5,323	5,323
Lagoon & Sludge facilities 1661 1988-2008 - \$44,500	8.47%	8,314	0	3,988	4,326	4,326
Lagoon & Sludge facilities 1662 1989-2008 - \$37,830	8.09%	6,950	0	3,358	3,592	3,592
Water Transmission Line 1663 1992-2011 - \$100,000	7.56%	42,987	0	6,604	36,383	7,103
Sewer Plant Revisions 1664 1993-2012 - \$358,618	7.24%	173,733	0	21,907	151,826	23,493
S. Center St. Water 2034 1996-2011 - \$95,421	6.51%	42,189	0	7,408	34,781	7,891
Waste Water plant 3452 2002-2022 - \$2,248,188	1.5%	1,850,638	0	103,156	1,747,482	104,709
Elevated Water tank 4074 2006-2015 - \$878,140	4.48%	737,336	102,064	69,506	769,894	74,476
Total Business-Type Activities		<u>\$2,974,387</u>	<u>\$102,064</u>	<u>\$241,844</u>	<u>\$2,834,607</u>	<u>\$251,913</u>

The General Obligation Bond is supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The Special Assessment Bond is paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the Village.

The Ohio Public Works Commission (OPWC) loans were for the improvement of Village streets and the installation of a waterline. The Governmental Activities OPWC loans are collateralized by the Village's taxing authority and the Business Type Activities OPWC loan is collateralized by water revenue.

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion and improvement projects and the construction of a new elevated water tower project. The loans are secured by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of LaGrange
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 11 – Debt (continued)

The loan for the purchase of park land is collateralized by the Village's taxing authority.

The following is a summary of the Village's future annual debt service requirements:

Year	G.O. Bonds		Special Assess. Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$3,000	\$529	\$15,466	\$1,199	\$29,063	\$0
2008	3,000	353	0	0	29,063	0
2009	3,000	176	0	0	29,063	0
2010	0	0	0	0	29,063	0
2011	0	0	0	0	18,516	0
2012–2116	0	0	0	0	8,792	0
2017–2021	0	0	0	0	0	0
Totals	<u>\$9,000</u>	<u>\$1,058</u>	<u>\$15,466</u>	<u>\$1,199</u>	<u>\$143,560</u>	<u>\$0</u>

Year	Land Loan		Mortgage Rev. Bond		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$36,846	\$8,745	\$6,000	\$270	\$230,913	\$75,871
2008	38,499	7,075	0	0	227,245	67,219
2009	40,287	5,287	0	0	235,405	59,162
2010	42,137	3,437	0	0	243,965	50,714
2011	44,071	1,502	0	0	237,866	41,850
2012–2116	0	0	0	0	949,904	104,645
2017–2021	0	0	0	0	628,309	26,134
Totals	<u>\$201,840</u>	<u>\$26,046</u>	<u>\$6,000</u>	<u>\$270</u>	<u>\$2,753,607</u>	<u>\$425,595</u>

Year	Engineering Agree.	
	Principal	Interest
2007	\$0	\$0
2008	32,500	0
2009	32,500	0
2010	32,500	0
2011	32,500	0
2012–2116	162,500	0
2017–2021	32,500	0
Totals	<u>\$325,000</u>	<u>\$0</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$5,179,988 and an unvoted debt margin of \$2,713,327.

Note 12 – Interfund Transfers

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$76,088
Water Enterprise Fund	105,048
Total Transfers from the General Fund	<u>\$181,136</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 13 – Construction and Contractual Commitments

The Village received a loan in the amount of \$950,000 in 2004 for the construction of a new elevated water tower. The project was completed in 2006.

The Village has been awarded a Community Development Block Grant for construction of a roadway, drainage and sidewalks in the LaGrange Business Park. The project will be completed in 2007.

Note 14 – Contingent Liabilities

The Village is not aware of any pending lawsuits. Although management cannot presently determine the outcome of any suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 15 – Joint Ventures

As previously stated in Note 1, the Village and LaGrange Township share the cost of operation and development of the LaGrange Business Park.

The purchase of property (38 acres) by the Village and LaGrange Township is being developed as the LaGrange Business Park. Costs for development are being shared equally.

The actions of the joint ventures have not been included in these financial statements.

Note 16 – Jointly Governed Organizations

The LaGrange Community Improvement Corporation is comprised of two Village members and two Township members. See note 1 description.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lagrange
Lorain County
355 South Center Street
Lagrange, Ohio 44050

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 6, 2009, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and that the Village restated the January 1, 2006 General Fund balance to include the Income Tax Fund as part of the General Fund. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Village's management in a separate letter dated March 6, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 6, 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF LAGRANGE

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2009**