



**VILLAGE OF LAGRANGE
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



Mary Taylor, CPA
Auditor of State

**VILLAGE OF LAGRANGE
LORAIN COUNTY**

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**VILLAGE OF LAGRANGE
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of LaGrange
Lorain County
355 South Center Street, P.O. Box 597
LaGrange, OH 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 year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the accompanying financial statements of the Village of LaGrange, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 2004. 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 opinions.

As described more fully in Note 2, the Village has prepared the financial statements for fiscal year ended December 31, 2004, using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements for the year ended December 31, 2004. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004 or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of LaGrange, Lorain County, Ohio, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the regulatory accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements for the year ended December 31, 2005 referred to above present fairly, in all material respects, the respective cash basis 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, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, Income Tax Fund, and Street Maintenance, Construction and Repair Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2007, 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, for the year ended December 31, 2005, 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

February 12, 2007

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Village of LaGrange, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005, 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 2005 are as follows:

Net assets of governmental activities decreased \$146,151 or 10.13 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund and the Income Tax Fund, which realized the greatest burden of increased costs in 2005.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 15.57 percent and 45.60 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 increased 39.76 percent and 17.02 percent, respectively, compared to 2004. A 2.7 mill levy was passed by the voters in 2003 with the first receipt of the increase received in 2005. Also several new businesses opened in the Village.

Net assets of the business-type activities increased \$174,189, or 16.42 percent due to the issuance of debt through OWDA. These loans were issued for the construction of a new elevated water tower project. The loan is secured by water receipts.

The water operation and sewer operation, business-type activities, increased in cash and cash equivalents in 2005 due to conservative expenditures.

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.

Village of LaGrange, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, 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 activity - The Village has two major business-type activities, the provision of water service and sanitary sewer service. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of LaGrange, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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, Income Tax Fund, and Street Construction, Maintenance, and 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 – The Village charges customers for the services it provides and 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 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 as a Whole

Table 1 provides a summary of the Village's net assets for 2005 on a cash basis.

Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been prepared. In future years, when prior year information is available, a comparative analysis will be presented.

Village of LaGrange, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 1)
Net Assets

	Governmental Activities	Business-Type Activities	Total
	2005	2005	2005
Assets			
Cash and Cash Equivalents	\$1,296,772	\$1,234,990	\$2,531,762
Total Assets	\$1,296,772	\$1,234,990	\$2,531,762
Net Assets			
Restricted for:			
Debt Service	\$15,679	\$0	\$15,679
Other Purposes	422,368	1,234,990	1,657,358
Unrestricted	858,725	0	858,725
Total Net Assets	\$1,296,772	\$1,234,990	\$2,531,762

As mentioned previously, net assets of governmental activities decreased \$146,151 or 10.13 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Health benefit costs increased for employees.
- Maintenance costs of the Community Park and engineering services also increased.
- One additional Police Patrolman was hired during 2005.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Village of LaGrange, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$171,925	\$1,003,590	\$1,175,515
Operating Grants and Contributions	106,661	0	106,661
Capital Grants and Contributions	94,480	0	94,480
Total Program Receipts	<u>373,066</u>	<u>1,003,590</u>	<u>1,376,656</u>
General Receipts:			
Property and Other Local Taxes	230,405	0	230,405
Municipal Income Taxes	674,579	0	674,579
Other Taxes	8,097	0	8,097
Grants and Entitlements not Restricted to Specific Programs	103,941	0	103,941
Other Debt Proceeds	0	409,050	409,050
Sale of Fixed Assets	0	1,000	1,000
Earnings on Investments	78,369	840	79,209
Miscellaneous	10,940	486	11,426
Total General Receipts	<u>1,106,331</u>	<u>411,376</u>	<u>1,517,707</u>
Total Receipts	<u>1,479,397</u>	<u>1,414,966</u>	<u>2,894,363</u>
Disbursements:			
Security of Persons and Property:	432,901	0	432,901
Public Health Services	6,058	0	6,058
Leisure Time Activities	55,454	0	55,454
Community Environment	134,018	0	134,018
Basic Utilities	106,712	0	106,712
Transportation	106,162	0	106,162
General Government	489,028	0	489,028
Capital Outlay	90,560	0	90,560
Principal Retirement	66,196	0	66,196
Interest and Fiscal Charges	16,385	0	16,385
Water	0	943,350	943,350
Sewer	0	412,951	412,951
Enterprise Deposit Fund	0	6,550	6,550
Total Disbursements	<u>1,503,474</u>	<u>1,362,851</u>	<u>2,866,325</u>
Excess (Deficiency) Before Transfers	<u>(24,077)</u>	<u>52,115</u>	<u>28,038</u>
Transfers	<u>(122,074)</u>	<u>122,074</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>(146,151)</u>	<u>174,189</u>	<u>28,038</u>
Net Assets, January 1, 2005	<u>1,442,923</u>	<u>1,060,801</u>	<u>2,503,724</u>
Net Assets, December 31, 2005	<u>\$1,296,772</u>	<u>\$1,234,990</u>	<u>\$2,531,762</u>

Program receipts represent only 47.56 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, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 52.44 percent of the Village's total receipts, and of this amount, 61.81 percent are property and other local taxes and municipal income taxes. Other debt proceeds, sale of fixed assets, earnings on investments, and miscellaneous make up the balance of the Village's general receipts.

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 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; Community Environment 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 general government and security of persons and property, which account for 32.53 and 28.79 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash 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 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
Security of Persons and Property	\$432,901	(\$432,901)
Public Health Services	6,058	(6,058)
Leisure Time Activities	55,454	(55,454)
Community Environment	134,018	(76,009)
Basic Utilities	106,712	(24,534)
Transportation	106,162	94,979
General Government	489,028	(457,290)
Capital Outlay	90,560	(90,560)
Principal Retirement	66,196	(66,196)
Interest and Fiscal Charges	16,385	(16,385)
Total Expenses	<u><u>\$1,503,474</u></u>	<u><u>(\$1,130,408)</u></u>

The dependence upon property and income tax receipts is apparent as over 75.19 percent of governmental activities are supported through these general receipts.

Village of LaGrange, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Business-type Activities

The water 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 increased due to conservative expenditures.

The Village's Funds

Total governmental funds had receipts of \$1,479,397 and disbursements of \$1,503,474. The greatest change within governmental funds occurred within the General Fund and Income Tax Fund. The fund balance of the General Fund decreased \$114,418 as the result of increased costs for salaries and benefits, community park operation, and engineering services. The Income Tax Fund decreased \$98,136 as a result of hiring one additional Police Patrolman.

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 fund is the General Fund and the Income Tax Fund.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,488,710 while actual disbursements were \$1,051,997. The Village kept spending close to budgeted amounts as demonstrated by the minor reported variances. Expenditures were higher than revenues, as previous fund balance was used. The result is the decrease in fund balance of \$206,299 for 2005.

Debt Administration

Debt

At December 31, 2005, the Village's outstanding debt consisted of \$237,035 loan issued for the purchase of land for the Community Park and Business Park; \$30,933 in special assessment bonds for the Square Improvement; \$12,000 in general obligation bonds for sewer construction; \$172,623 in Ohio Public Works Commission loans for road and waterline improvements; \$2,854,968 in Ohio Water Development Authority loans for utility improvements; and \$12,102 in Mortgage Revenue Bonds for sewer construction. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

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.

Village of LaGrange, Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 Rita K. Ruot, Fiscal Officer, Village of LaGrange, 355 S. Center St., LaGrange, Ohio 44050.

LAGRANGE VILLAGE, LORAIN COUNTY

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,296,772	\$1,234,990	\$2,531,762
<i>Total Assets</i>	<u>1,296,772</u>	<u>1,234,990</u>	<u>2,531,762</u>
Net Assets			
Restricted for:			
Debt Service	15,679	0	15,679
Other Purposes	422,368	1,234,990	1,657,358
Unrestricted	858,725	0	858,725
<i>Total Net Assets</i>	<u>\$1,296,772</u>	<u>\$1,234,990</u>	<u>\$2,531,762</u>

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$432,901	\$0	\$0	\$0	(\$432,901)	\$0	(\$432,901)
Public Health Services	6,058	0	0	0	(6,058)	0	(6,058)
Leisure Time Activities	55,454	0	0	0	(55,454)	0	(55,454)
Community Environment	134,018	58,009	0	0	(76,009)	0	(76,009)
Basic Utility Services	106,712	82,178	0	0	(24,534)	0	(24,534)
Transportation	106,162	0	106,661	94,480	94,979	0	94,979
General Government	489,028	31,738	0	0	(457,290)	0	(457,290)
Capital Outlay	90,560	0	0	0	(90,560)	0	(90,560)
Debt Service:							
Principal	66,196	0	0	0	(66,196)	0	(66,196)
Interest	16,385	0	0	0	(16,385)	0	(16,385)
<i>Total Governmental Activities</i>	<u>1,503,474</u>	<u>171,925</u>	<u>106,661</u>	<u>94,480</u>	<u>(1,130,408)</u>	<u>0</u>	<u>(1,130,408)</u>
Business Type Activities							
Water	943,350	519,708	0	0	0	(423,642)	(423,642)
Sewer	412,951	475,632	0	0	0	62,681	62,681
Utility Deposits	6,550	8,250	0	0	0	1,700	1,700
<i>Total Business Type Activities</i>	<u>1,362,851</u>	<u>1,003,590</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(359,261)</u>	<u>(359,261)</u>
<i>Total Primary Government</i>	<u>2,866,325</u>	<u>1,175,515</u>	<u>106,661</u>	<u>94,480</u>	<u>(1,130,408)</u>	<u>(359,261)</u>	<u>(1,489,669)</u>
General Receipts							
Property and Other Local Taxes					230,405	0	230,405
Municipal Income Taxes					674,579	0	674,579
Other Taxes					8,097	0	8,097
Grants and Entitlements not Restricted to Specific Programs					103,941	0	103,941
Other Debt Proceeds					0	409,050	409,050
Sale of Fixed Assets					0	1,000	1,000
Earnings on Investments					78,369	840	79,209
Miscellaneous					10,940	486	11,426
<i>Total General Receipts</i>					<u>1,106,331</u>	<u>411,376</u>	<u>1,517,707</u>
Transfers					(122,074)	122,074	0
Total General Receipts, Transfers and Advances					<u>984,257</u>	<u>533,450</u>	<u>1,517,707</u>
Change in Net Assets					(146,151)	174,189	28,038
<i>Net Assets Beginning of Year</i>					<u>1,442,923</u>	<u>1,060,801</u>	<u>2,503,724</u>
<i>Net Assets End of Year</i>					<u>\$1,296,772</u>	<u>\$1,234,990</u>	<u>\$2,531,762</u>

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	GENERAL	INCOME TAX	STREET CONSTRUCTION MAINTENANCE AND REPAIR	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Equity in Pooled Cash and Cash Equivalents	\$858,725	\$134,449	\$252,039	\$51,559	\$1,296,772
<i>Total Assets</i>	<u>\$858,725</u>	<u>\$134,449</u>	<u>\$252,039</u>	<u>\$51,559</u>	<u>\$1,296,772</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$91,881	\$2,595	\$6,484	\$458	\$101,418
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	766,844	0	0	0	766,844
Special Revenue Funds	0	131,854	245,555	35,422	412,831
Debt Service Fund	0	0	0	15,679	15,679
<i>Total Fund Balances</i>	<u>\$858,725</u>	<u>\$134,449</u>	<u>\$252,039</u>	<u>\$51,559</u>	<u>\$1,296,772</u>

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	GENERAL	INCOME TAX	STREET CONSTRUCTION MAINTENANCE AND REPAIR	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$230,404	\$0	\$0	\$0	\$230,404
Municipal Income Taxes	449,639	224,940	0	0	674,579
Intergovernmental	106,300	0	89,298	107,923	303,521
Special Assessments	0	0	0	3,920	3,920
Charges for Services	82,689	0	0	0	82,689
Fines, Licenses and Permits	91,171	0	0	3,804	94,975
Earnings on Investments	71,559	0	6,641	169	78,369
Miscellaneous	10,940	0	0	0	10,940
Total Receipts	1,042,702	224,940	95,939	115,816	1,479,397
Disbursements					
Current:					
Security of Persons and Property	168,825	264,076	0	0	432,901
Public Health Services	6,058	0	0	0	6,058
Leisure Time Activities	55,454	0	0	0	55,454
Community Environment	134,018	0	0	0	134,018
Basic Utility Services	106,712	0	0	0	106,712
Transportation	172	59,000	28,740	18,250	106,162
General Government	488,877	0	0	151	489,028
Capital Outlay	0	0	0	90,560	90,560
Debt Service:					
Principal Retirement	0	0	0	66,196	66,196
Interest and Fiscal Charges	0	0	0	16,385	16,385
Total Disbursements	960,116	323,076	28,740	191,542	1,503,474
Excess of Receipts Over (Under) Disbursements	82,586	(98,136)	67,199	(75,726)	(24,077)
Other Financing Sources (Uses)					
Transfers In	0	0	0	74,930	74,930
Transfers Out	(197,004)	0	0	0	(197,004)
Total Other Financing Sources (Uses)	(197,004)	0	0	74,930	(122,074)
Net Change in Fund Balances	(114,418)	(98,136)	67,199	(796)	(146,151)
Fund Balances Beginning of Year	973,143	232,585	184,840	52,355	1,442,923
Fund Balances End of Year	\$858,725	\$134,449	\$252,039	\$51,559	\$1,296,772

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY*Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual - Budget Basis**General Fund**For the Year Ended December 31, 2005*

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$253,163	\$265,869	\$230,404	(\$35,465)
Municipal Income Taxes	360,000	445,000	449,639	4,639
Intergovernmental	52,472	81,472	106,300	24,828
Charges for Services	100,000	100,000	82,689	(17,311)
Fines, Licenses and Permits	5,000	72,000	91,171	19,171
Earnings on Investments	20,000	62,300	71,559	9,259
Miscellaneous	0	0	10,940	10,940
<i>Total receipts</i>	<u>790,635</u>	<u>1,026,641</u>	<u>1,042,702</u>	<u>16,061</u>
Disbursements				
Current:				
Security of Persons and Property	195,500	193,235	170,732	22,503
Public Health Services	5,500	6,058	6,058	0
Leisure Time Activities	0	74,000	55,454	18,546
Community Environment	61,200	166,983	156,391	10,592
Basic Utility Services	110,000	106,806	106,712	94
Transportation	0	47,750	40,913	6,837
General Government	411,500	888,878	510,737	378,141
Capital Outlay	0	5,000	5,000	0
<i>Total Disbursements</i>	<u>783,700</u>	<u>1,488,710</u>	<u>1,051,997</u>	<u>436,713</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,935</u>	<u>(462,069)</u>	<u>(9,295)</u>	<u>452,774</u>
Other Financing Sources (Uses)				
Transfers Out	(6,935)	(197,004)	(197,004)	0
Other Financing Uses	0	(178)	0	178
<i>Total Other Financing Sources (Uses)</i>	<u>(6,935)</u>	<u>(197,182)</u>	<u>(197,004)</u>	<u>178</u>
<i>Net Change in Fund Balance</i>	0	(659,251)	(206,299)	452,952
<i>Fund Balance Beginning of Year</i>	963,601	963,601	963,601	0
Prior Year Encumbrances Appropriated	9,542	9,542	9,542	0
<i>Fund Balance End of Year</i>	<u>\$973,143</u>	<u>\$313,892</u>	<u>\$766,844</u>	<u>\$452,952</u>

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Income Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$ 180,000	\$ 222,000	\$ 224,939	\$ 2,939
<i>Total receipts</i>	180,000	222,000	224,939	2,939
Disbursements				
Current:				
Security of Persons and Property	126,704	277,025	266,670	10,355
Transportation	53,296	177,503	59,000	118,503
<i>Total Disbursements</i>	180,000	454,528	325,670	128,858
<i>Excess of Receipts Over (Under) Disbursements</i>	0	(232,528)	(100,731)	131,797
<i>Fund Balance Beginning of Year</i>	207,663	207,663	207,663	0
Prior Year Encumbrances Appropriated	24,922	24,922	24,922	0
<i>Fund Balance End of Year</i>	\$ 232,585	\$ 57	\$ 131,854	\$ 131,797

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	57,000	85,500	89,298	3,798
Earnings on Investments	3,000	4,500	6,643	2,143
<i>Total receipts</i>	60,000	90,000	95,941	5,941
Disbursements				
Current:				
Transportation	60,000	199,944	35,226	164,718
<i>Total Disbursements</i>	60,000	199,944	35,226	164,718
<i>Excess of Receipts Over (Under) Disbursements</i>	0	(109,944)	60,715	170,659
<i>Fund Balance Beginning of Year</i>	183,246	183,246	183,246	0
Prior Year Encumbrances Appropriated	1,594	1,594	1,594	0
<i>Fund Balance End of Year</i>	\$ 184,840	\$ 74,896	\$ 245,555	\$ 170,659

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2005

	<u>WATER</u>	<u>SEWER</u>	<u>NONMAJOR ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$542,879</u>	<u>\$669,861</u>	<u>\$22,250</u>	<u>\$1,234,990</u>
Total Assets	<u><u>\$542,879</u></u>	<u><u>\$669,861</u></u>	<u><u>\$22,250</u></u>	<u><u>\$1,234,990</u></u>
Net Assets				
Restricted for:				
Other Purposes	<u>\$542,879</u>	<u>\$669,861</u>	<u>\$22,250</u>	<u>\$1,234,990</u>
Total Net Assets	<u><u>\$542,879</u></u>	<u><u>\$669,861</u></u>	<u><u>\$22,250</u></u>	<u><u>\$1,234,990</u></u>

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	WATER	SEWER	NONMAJOR ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS
Operating Receipts				
Charges for Services	\$519,708	\$475,632	\$8,250	\$1,003,590
<i>Total Operating Receipts</i>	<u>519,708</u>	<u>475,632</u>	<u>8,250</u>	<u>1,003,590</u>
Operating Disbursements				
Personal Services	34,045	70,353	0	104,398
Employee Fringe Benefits	16,473	21,901	0	38,374
Contractual Services	306,537	89,149	0	395,686
Supplies and Materials	14,424	28,752	0	43,176
Other	0	0	6,550	6,550
<i>Total Operating Disbursements</i>	<u>371,479</u>	<u>210,155</u>	<u>6,550</u>	<u>588,184</u>
<i>Operating Income (Loss)</i>	<u>148,229</u>	<u>265,477</u>	<u>1,700</u>	<u>415,406</u>
Non-Operating Receipts (Disbursements)				
Earnings on Investments	0	840	0	840
Other Debt Proceeds	409,050	0	0	409,050
Sale of Fixed Assets	0	1,000	0	1,000
Miscellaneous Receipts	462	24	0	486
Capital Outlay	(431,806)	(16,561)	0	(448,367)
Principal Payments	(109,356)	(148,138)	0	(257,494)
Interest and Fiscal Charges	(30,709)	(38,097)	0	(68,806)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(162,359)</u>	<u>(200,932)</u>	<u>0</u>	<u>(363,291)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(14,130)</u>	<u>64,545</u>	<u>1,700</u>	<u>52,115</u>
Transfers In	108,099	13,975	0	122,074
<i>Change in Net Assets</i>	<u>93,969</u>	<u>78,520</u>	<u>1,700</u>	<u>174,189</u>
<i>Net Assets Beginning of Year</i>	<u>448,910</u>	<u>591,341</u>	<u>20,550</u>	<u>1,060,801</u>
<i>Net Assets End of Year</i>	<u><u>\$542,879</u></u>	<u><u>\$669,861</u></u>	<u><u>\$22,250</u></u>	<u><u>\$1,234,990</u></u>

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2005

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	\$29,016
Investments	\$0
<i>Total Assets</i>	<i>\$29,016</i>
Net Assets	
Restricted for:	
Other Purposes	\$29,016
<i>Total Net Assets</i>	<i>\$29,016</i>

See accompanying notes to the basic financial statements

LAGRANGE VILLAGE, LORAIN COUNTY
*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balances*
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$164,856	\$0	\$0	\$0	\$164,856
Income Taxes	384,283	192,170	0	0	576,453
Intergovernmental	111,438	101,406	0	54,902	267,746
Special Assessments	0	0	4,208	0	4,208
Charges for Services	79,350	0	0	0	79,350
Fines, Licenses, and Permits	132,551	7,286	0	0	139,837
Earnings on Investments	28,790	2,323	0	0	31,113
Other Revenue	22,292	0	0	0	22,292
Total Cash Receipts	923,560	303,185	4,208	54,902	1,285,855
Cash Disbursements:					
Current:					
General Government	488,416	0	162	0	488,578
Public Safety	177,353	202,692	0	0	380,045
Basic Utility Services	103,196	0	0	0	103,196
Health	5,306	0	0	0	5,306
Transportation	1,350	123,680	0	0	125,030
Leisure Time Activities	26,721	0	0	0	26,721
Community Environment	96,089	0	0	0	96,089
Debt Service:					
Redemption of Principal	0	0	62,923	0	62,923
Interest and Fiscal Charges	0	0	19,275	0	19,275
Capital Outlay	0	0	0	90,065	90,065
Total Cash Disbursements	898,431	326,372	82,360	90,065	1,397,228
Total Receipts Over/(Under) Disbursements	25,129	(23,187)	(78,152)	(35,163)	(111,373)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	1,500	0	0	0	1,500
Loan Proceeds	0	0	0	35,163	35,163
Transfers-In	0	0	73,263	0	73,263
Transfers-Out	(82,460)	0	0	0	(82,460)
Other Uses	(736)	0	0	0	(736)
Total Other Financing Receipts/(Disbursements)	(81,696)	0	73,263	35,163	26,730
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(56,567)	(23,187)	(4,889)	0	(84,643)
Fund Cash Balances, January 1, 2004	1,029,710	473,407	24,449	0	1,527,566
Fund Cash Balances, December 31, 2004	\$973,143	\$450,220	\$19,560	\$0	\$1,442,923
Reserve for Encumbrances, December 31, 2004	\$9,542	\$27,280	\$0	\$0	\$36,822

The notes to the financial statements are an integral part of this statement.

LAGRANGE VILLAGE, LORAIN COUNTY
*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balances*
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,030,029	\$0	\$1,030,029
Fines, Licenses and Permits	0	59,907	59,907
Total Operating Cash Receipts	1,030,029	59,907	1,089,936
Operating Cash Disbursements:			
Current:			
Personal Services	109,532	0	109,532
Employee Fringe Benefits	35,394	0	35,394
Contractual Services	366,433	1,168	367,601
Supplies and Materials	45,294	0	45,294
Other	8,952	39,858	48,810
Capital Outlay	522,818	0	522,818
Total Operating Cash Disbursements	1,088,423	41,026	1,129,449
Operating Income/(Loss)	(58,394)	18,881	(39,513)
Non-Operating Receipts/Disbursements			
Earnings on Investments	1,664	0	1,664
Other Debt Proceeds	370,549	0	370,549
Miscellaneous Receipts	2,100	0	2,100
Redemption of Principal	(178,830)	0	(178,830)
Interest and Other Fiscal Charges	(29,970)	0	(29,970)
Total Non-Operating Receipts/Disbursements	165,513	0	165,513
Income/(Loss) Before Interfund Transfers and Advances	107,119	18,881	126,000
Transfers-In	9,136	194	9,330
Transfers-Out	(134)	0	(134)
Net Receipts Over/(Under) Disbursements	116,121	19,075	135,196
Fund Cash Balance, January 1, 2004	944,680	4,183	948,863
Fund Cash Balance, December 31, 2004	\$1,060,801	\$23,258	\$1,084,059
Reserve for Encumbrances, December 31, 2004	\$27,966	\$0	\$27,966

The notes to the financial statements are an integral part of this statement

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

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

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 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 totaling \$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, and 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.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

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) 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (continued)

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 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.

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, Income Tax Fund, and the Street Construction, Maintenance, and 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. The Income Tax Fund receives one-half percent of the income tax revenue. Expenditures are limited to the purposes of the LaGrange Police Department and street repair. The Street Construction, Maintenance, and 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.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

For the year ending December 31, 2004, the Village's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.) These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

For the year ending December 31, 2005, 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. Any such modifications made by the Village are described in the appropriate section in this note.

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 level for all funds.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. 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 2005, the Village invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Village’s money market fund investment is recorded at the amount reported by FirstMerit Bank on December 31, 2005.

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, 2005 and December 31, 2004.

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 2005 was \$71,559, which includes \$44,997 assigned from other Village funds. Interest receipts credited to the General Fund during 2004 was \$28,790, which includes \$16,168 assigned from other Village funds.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

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.

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.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is 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.

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 nonoperating 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 – Change in Basis of Accounting

For fiscal year ending December 31, 2004, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For fiscal year ending December 31, 2005, the Village has implemented the cash basis of accounting described in Note 2, which revised the Village's financial presentation to be comparable to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2004, the Village implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures." This statement establishes new disclosure requirements for risks associated with deposits and investments.

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, Income Tax 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 \$91,881 for the General Fund, \$2,595 for the Income Tax Fund, and \$6,484 for the Street Construction, Maintenance, and Repair Fund.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 4 – Budgetary Basis of Accounting (Continued)

For the fiscal year ending December 31, 2004, the Village reported the following budgetary activity regarding estimated receipts and appropriations.

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$866,939	\$925,060	\$58,121
Special Revenue	264,250	303,185	38,935
Debt Service	75,714	77,471	1,757
Capital Projects	90,065	90,065	0
Enterprise	1,326,701	1,413,478	86,777
Fiduciary	58,645	60,101	1,456
Total	\$2,682,314	\$2,869,360	\$187,046

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,723,388	\$991,169	\$732,219
Special Revenue	685,656	353,652	332,004
Debt Service	100,831	82,360	18,471
Capital Projects	90,065	90,065	0
Enterprise	2,629,585	1,325,323	1,304,262
Fiduciary	62,828	41,026	21,802
Total	\$5,292,353	\$2,883,595	\$2,408,758

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.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 5 – Deposits and Investments (Continued)

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.

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 December 31, 2005, the carrying amount of the Village's deposits was \$258,139 and the bank balance was \$323,005. Of the bank balance \$87,117 was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. At fiscal year end December 31, 2004, the carrying amount of the Village's deposits was \$358,204 and the bank balance was \$417,933. Of the bank balance \$176,988 was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 5 – Deposits and Investments (Continued)

Deposits (continued)

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 Library 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, 2005 and December 31, 2004, the Village had the following investments:

	Carrying Value	Maturity
December 31, 2005		
STAR Ohio	\$2,302,639	Less Than One Year
December 31, 2004		
STAR Ohio	\$2,168,778	Less Than One 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 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 the 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.”

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 6 – Income Taxes

The Village levies a 1.0 percent income tax whose proceeds are placed into the General Fund. The Village levies a .5 percent income tax whose proceeds are placed into the Income Tax Fund. 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October, 2003, on the assessed values as of January 1, 2003, 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 2005 and 2004 represent the collection of 2004 and 2003 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and collected with real property taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, and are 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 2005 and 2004 (other than public utility property) represent the collection of 2005 and 2004 taxes. Tangible personal property taxes received in 2005 and 2004 were levied after October 1, 2004 and 2003 respectively, on the true value as of December 31, 2004 and 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. 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, 2005 was \$8.93 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 7 – Property Taxes (Continued)

	<u>2005</u>	<u>2004</u>
Real Property		
Residential/Agriculture	\$31,851,930	\$29,017,070
Commercial/Industrial/ Mineral/Railroads	7,009,780	6,911,130
Public Utility Personal	1,669,110	1,682,040
Tangible Personal Property	4,981,270	4,942,250
Total Assessed Value	\$45,512,090	\$42,552,490

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 also provides health insurance and dental and vision 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.

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.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 9 – Defined Benefit Pension Plans (Continued)

A. Ohio Public Employees Retirement System (continued)

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, 2005 and December 31, 2004, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 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, 2005, 2004 and 2003 were \$36,527, \$35,415, and \$28,934 respectively. The full amount has been contributed for 2005, 2004 and 2003.

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.

For the year ended December 31, 2005 and December 31, 2004, plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the year ended December 31, 2005, 2004, and 2003 were \$24,947, \$22,181, and \$9,124 respectively. The full amount has been contributed for 2005, 2004, and 2003.

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 based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 10 - Postemployment Benefits (Continued)

A. Ohio Public Employees Retirement System (continued)

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, 2004, include a rate of return on investments of 8.00 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$15,299. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 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 plan.

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 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. 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.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 10 - Postemployment Benefits (Continued)

B. Ohio Police and Fire Pension Fund (continued)

The Village's actual contributions for 2005 that were used to fund postemployment benefits was \$16,454 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796 which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police.

Note 11 - Debt

The Village's long-term debt activity for the year ended December 31, 2005 was as follows:

	Issue Date	Interest Rate	Issue Amount	Date of Maturity	Balance 1/1/2005	Additions	Reductions	Balance 12/31/2005	Due Within One Year
Governmental Activities									
General Obligation Bond									
Sewer	6/1/1994	5.88%	\$37,000	12/1/2009	\$15,000	\$0	\$3,000	\$12,000	\$3,000
Special Assessment Bond									
Village Square Improvement	6/1/1992	7.75%	\$232,000	12/1/2007	46,400	0	15,467	30,933	15,466
Ohio Public Works Commission Loans									
Forest Street	7/1/2001	0.00%	\$105,469	7/1/2011	63,281	0	10,547	52,734	10,547
Factory Street	n/a	0.00%	n/a	n/a	33,405	0	3,516	29,889	3,516
Loan									
Park & 38 Acres	2/28/2003	4.54%	\$302,852	1/1/2012	270,701	0	33,666	237,035	35,212
Total Governmental Activities Debt					<u>\$428,787</u>	<u>\$0</u>	<u>\$66,196</u>	<u>\$362,591</u>	<u>\$67,741</u>

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 11 – Debt (Continued)

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Date of Maturity</u>	<u>Balance 1/1/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2005</u>	<u>Due Within One Year</u>
Business-Type Activities									
Mortgage Revenue Bond									
Sewer Bonds	6/1/1973	4.50%	\$129,000	12/1/2007	\$18,000	\$0	\$5,898	\$12,102	\$6,000
Ohio Public Works Commission Loans									
Water Transmission Line	1/1/1992	0.00%	\$300,000	7/1/2012	105,000	0	15,000	90,000	15,000
Ohio Water Development Authority Loans									
Lagoon & Sludge Facilities - 1660	7/1/1988	8.26%	\$55,504	1/1/2008	14,782	0	4,542	10,240	4,917
Lagoon & Sludge Facilities Supplement #1 - 1661	7/1/1988	8.47%	\$44,500	1/1/2008	11,991	0	3,676	8,315	3,988
Lagoon & Sludge Facilities Supplement #2 - 1662	1/1/1989	8.09%	\$37,830	1/1/2008	10,057	0	3,107	6,950	3,358
Water Transmission Line Replacement - 1663	1/1/1992	7.56%	\$100,000	7/1/2011	49,127	0	6,140	42,987	6,604
Water Distribution Project - 2034	7/1/1998	6.51%	\$95,421	1/1/2011	49,144	0	6,955	42,189	7,409
Sewer Plant Revisions - 1664	1/1/1993	7.24%	\$358,618	7/1/2012	194,160	0	20,428	173,732	21,907
Waste Water Treatment Plant - 3452	7/1/2002	1.50%	\$2,248,188	1/1/2002	1,945,445	0	94,806	1,850,639	103,156
Elevated Storage Tank - 4074	n/a	4.48%	n/a	7/1/2015	349,606	409,050	38,740	719,916	0
Lease									
Radio Transmitter	4/1/2003	4.29%	\$74,400	4/10/2008	60,743	0	60,743	0	0
Total Business Type Activities Debt					<u>\$2,808,055</u>	<u>\$409,050</u>	<u>\$260,035</u>	<u>\$2,957,070</u>	<u>\$172,339</u>

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 11 – Debt (Continued)

The Township's long-term debt activity for the year ended December 31, 2004 was as follows:

	Issue Date	Interest Rate	Issue Amount	Date of Maturity	Balance 1/1/2004	Additions	Reductions	Balance 12/31/2004	Due Within One Year
Governmental Activities									
General Obligation Bond									
Sewer	6/1/1994	5.88%	\$37,000	12/1/2009	\$18,000	\$0	\$3,000	\$15,000	\$3,000
Special Assessment Bond									
Village Square Improvement	6/1/1992	7.75%	\$232,000	12/1/2007	61,867	0	15,467	46,400	15,467
Ohio Public Works Commission Loans									
Forest Street	7/1/2001	0.00%	\$105,469	7/1/2011	73,828	0	10,547	63,281	10,547
Factory Street	n/a	0.00%	n/a	n/a	0	35,163	1,758	33,405	0
Loan									
Park & 38 Acres	2/28/2003	4.54%	\$302,852	1/1/2012	302,852	0	32,151	270,701	33,666
Total Governmental Activities Debt					<u>\$456,547</u>	<u>\$35,163</u>	<u>\$62,923</u>	<u>\$428,787</u>	<u>\$62,680</u>
Business-Type Activities									
Mortgage Revenue Bond									
Sewer Bonds	6/1/1973	4.50%	\$129,000	12/1/2007	\$24,000	\$0	\$6,000	\$18,000	\$6,000
Ohio Public Works Commission Loans									
Water Transmission Line	1/1/1992	0.00%	\$300,000	7/1/2012	120,000	0	15,000	105,000	15,000
Ohio Water Development Authority Loans									
Lagoon & Sludge Facilities - 1660	7/1/1988	8.26%	\$55,504	1/1/2008	18,977	0	4,195	14,782	4,542
Lagoon & Sludge Facilities Supplement #1 - 1661	7/1/1988	8.47%	\$44,500	1/1/2008	15,380	0	3,389	11,991	3,676
Lagoon & Sludge Facilities Supplement #2 - 1662	1/1/1989	8.09%	\$37,830	1/1/2008	12,932	0	2,875	10,057	3,107
Water Transmission Line Replacement - 1663	1/1/1992	7.56%	\$100,000	7/1/2011	54,836	0	5,709	49,127	6,140
Water Distribution Project - 2034	7/1/1998	6.51%	\$95,421	1/1/2011	55,674	0	6,530	49,144	6,955
Sewer Plant Revisions - 1664	1/1/1993	7.24%	\$358,618	7/1/2012	213,209	0	19,049	194,160	20,428
Waste Water Treatment Plant - 3452	7/1/2002	1.50%	\$2,248,188	1/1/2002	2,026,928	20,943	102,426	1,945,445	0
Elevated Storage Tank - 4074	n/a	4.48%	n/a	7/1/2015	0	349,606	0	349,606	0
Lease									
Radio Transmitter	4/1/2003	4.29%	\$74,400	4/10/2008	74,400	0	13,657	60,743	14,243
Total Business Type Activities Debt					<u>\$2,616,336</u>	<u>\$370,549</u>	<u>\$178,830</u>	<u>\$2,808,055</u>	<u>\$80,091</u>

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 11 – Debt (Continued)

The general obligation bond is supported by the full faith and credit of the Village and is 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 and sewer revenue. In fiscal year 2004, the Village obtained a loan from OPWC for Factory Street improvements. As of December 31, 2005, the OPWC loan for Factory Street has not been finalized; however, the Village has begun to make payments on the loan.

The Ohio Water Development Authority (OWDA) loans relate to 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. The beginning balance as of 1/1/2004 for the waste water treatment plant was restated to properly reflect the amount owed on this OWDA loan. In fiscal year 2004, the Village obtained a loan from OWDA to build an elevated storage tank. As of December 31, 2005, the OWDA loan for the elevated storage tank has not been finalized; however, the Village has begun to make payments on the loan. In fiscal year 2005, OWDA reduced the amount owed by the Village on the waste water treatment plant loan by \$2,541. This reduction is shown as a reduction in principal on the 2005 debt activity schedule.

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

The lease is a capital lease for the purchase of a radio transmitter.

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

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

Note 11 – Debt (Continued)

Year	General Obligation Bond		Special Assessment Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$3,000	\$705	\$15,466	\$2,397	\$29,063	\$0
2007	3,000	529	15,467	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
2011-2015	0	0	0	0	27,307	0
Totals	\$12,000	\$1,763	\$30,933	\$3,596	\$172,622	\$0

Year	Land Loan		Mortgage Revenue Bond		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$35,212	\$10,362	\$6,000	\$540	\$151,339	\$47,076
2007	36,829	8,745	6,102	270	156,438	42,224
2008	38,499	7,075	0	0	147,524	37,028
2009	40,287	5,287	0	0	152,073	32,582
2010	42,137	3,437	0	0	156,858	27,909
2011-2015	44,071	1,502	0	0	624,517	84,613
2016-2020	0	0	0	0	617,226	35,427
2021-2025	0	0	0	0	129,077	1,454
Totals	\$237,035	\$36,408	\$12,102	\$810	\$2,135,052	\$308,313

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, 2004, were an overall debt margin of \$4,778,769 and an unvoted debt margin of \$2,503,164.

Note 12 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$ 74,930
Water	108,099
Sewer	<u>13,975</u>
Total Transfers from the General Fund	\$197,004

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.

Village of LaGrange, Lorain County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004
(Continued)

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 is not yet complete.

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 2006.

Note 14 – Contingent Liabilities

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

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 Community 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.

Note 16 – Jointly Governed Organizations

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



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 P.O. Box 597
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 of LaGrange, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements. We have also audited the accompanying financial statements of the Village of LaGrange, Lorain County, Ohio, (the Village) as of and for the year ended December 31, 2004. We have issued our report thereon dated February 12, 2007, wherein we noted for fiscal year ended December 31, 2005, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We also noted for the fiscal year ended December 31, 2004, the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated February 12, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 the management and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 12, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF LA GRANGE

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
OCTOBER 9, 2007**