



**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  
LaGrange, Ohio 44050

To the Village Council:

We have audited the accompanying financial statements of the Village of LaGrange, Lorain County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of LaGrange, Lorain County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparisons for the General and the Street Construction, Maintenance and Repair funds thereof for the years then ended December 31, 2009 and 2008 in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

June 28, 2010

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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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, 2009, 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 2009 are as follows:

Net assets of governmental activities decreased \$135,610 or 10.48 percent from the prior year. The funds most affected by the decrease in cash and cash equivalents were the General Fund and the Street Construction Maintenance Repair Fund.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 14.07 and 47.12 percent of the total cash received for governmental activities during the year. Property and Other Local Tax receipts decreased from 2008 by \$22,930 or 9.28 percent. Income Tax receipts decreased from 2008 by \$52,420 or 6.63 percent.

The water distribution operation and the sanitary sewer processing operation, business-type activities, also saw a decrease in net assets by \$157,754.

### **Using the Basic Financial Statements**

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

#### **Report Components**

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

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

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

#### **Basis of Accounting**

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

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

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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 three business-type activities, the provision of water distribution, sanitary sewer service and the enterprise deposit fund. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Construction, Maintenance, 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 – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water Fund and the Sewer 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.



Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's Agency funds include Sidewalk Performance Bonds, Commercial Permits, and Mayor's Court. The Village has no Trust Funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis:

**(Table 1)  
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2008	2009
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,158,366	\$1,293,976	\$1,571,543	\$1,729,297	\$2,729,909	\$3,023,273
Total Assets	\$1,158,366	\$1,293,976	\$1,571,543	\$1,729,297	\$2,729,909	\$3,023,273
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$5,152	\$5,152	\$0	\$0	\$5,152	\$5,152
Other Purposes	241,409	292,354	1,571,543	1,729,297	1,812,952	2,021,651
Unrestricted	911,805	996,470	0	0	911,805	996,470
Total Net Assets	\$1,158,366	\$1,293,976	\$1,571,543	\$1,729,297	\$2,729,909	\$3,023,273

As mentioned previously, net assets of governmental activities decreased \$135,610 or 10.48 percent during 2009. The primary reasons contributing to the decrease in cash balances are as follows:

- Property and Other Local Taxes decreased \$19,970 as a result of nation wide economic issues affecting local property taxes.
- Income Tax decreased \$52,420 as a result of economic factors affecting withholding and net profits of local businesses.
- Earnings on investments decreased \$65,499 also due to the nation-wide economic issues resulting in interest rates plummeting from 1.41% to .10% by the end of 2009.
- Net assets of business-type activities decreased \$157,754 due in part to increased capital expenditures on equipment.

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for governmental activities and business type activities.

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

**(Table 2)**  
**Changes in Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$133,203	\$139,032	\$894,918	\$943,634	\$1,028,121	\$1,082,666
Operating Grants and Contributions	115,351	117,048	0	0	\$115,351	117,048
Capital Grants and Contributions	144,168	67,149	0	0	\$144,168	67,149
<b>Total Program Receipts</b>	<b>392,722</b>	<b>323,229</b>	<b>894,918</b>	<b>943,634</b>	<b>1,287,640</b>	<b>1,266,863</b>
General Receipts:						
Property Taxes	220,482	240,452	0	0	220,482	240,452
Income Taxes	738,433	790,853	0	0	738,433	790,853
Other Taxes	3,809	6,769	0	0	3,809	6,769
Grants and Entitlements Not Restricted to Specific Programs	192,098	159,666	0	0	192,098	159,666
Other Debt Proceeds	4,182	0	0	0	4,182	0
Cable Franchise Fees	6,610	10,748	0	0	6,610	10,748
Earnings on Investments	8,120	73,619	0	107	8,120	73,726
Miscellaneous	809	71,991	1	6,561	810	78,552
<b>Total General Receipts</b>	<b>1,174,543</b>	<b>1,354,098</b>	<b>1</b>	<b>6,668</b>	<b>1,174,544</b>	<b>1,360,766</b>
<b>Total Receipts</b>	<b>1,567,265</b>	<b>1,677,327</b>	<b>894,919</b>	<b>950,302</b>	<b>2,462,184</b>	<b>2,627,629</b>
Disbursements:						
General Government	394,602	463,096	0	0	394,602	463,096
Security of Persons and Property:	492,854	515,310	0	0	492,854	515,310
Public Health Services	7,784	7,749	0	0	7,784	7,749
Leisure Time Activities	82,080	81,734	0	0	82,080	81,734
Community Environment	58,595	57,780	0	0	58,595	57,780
Basic Utilities	152,094	129,018	0	0	152,094	129,018
Transportation	64,489	38,266	0	0	64,489	38,266
Capital Outlay	244,640	160,475	0	0	244,640	160,475
Principal Retirement	91,983	88,101	0	0	91,983	88,101
Interest and Fiscal Charges	5,463	7,389	0	0	5,463	7,389
Water	0	0	632,264	449,556	632,264	449,556
Sewer	0	0	522,482	450,582	522,482	450,582
Enterprise Deposit Fund	0	0	6,218	8,472	6,218	8,472
<b>Total Disbursements</b>	<b>1,594,584</b>	<b>1,548,918</b>	<b>1,160,964</b>	<b>908,610</b>	<b>2,755,548</b>	<b>2,457,528</b>
Excess (Deficiency) Before Transfers	(27,319)	128,409	(266,045)	41,692	(293,364)	170,101
Transfers	(108,291)	(152,567)	108,291	152,567	0	0
Increase (Decrease) in Net Assets	(135,610)	(24,158)	(157,754)	194,259	(293,364)	170,101
Net Assets, January 1	1,293,976	1,318,134	1,729,297	1,535,038	3,023,273	2,853,172
<b>Net Assets, December 31</b>	<b>\$1,158,366</b>	<b>\$1,293,976</b>	<b>\$1,571,543</b>	<b>\$1,729,297</b>	<b>\$2,729,909</b>	<b>\$3,023,273</b>

Program receipts represent 52.30 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and water and sewer user charges.

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

General receipts represent 47.70 percent of the Village's total receipts, and of this amount, over 81.97 percent are property and other local taxes and income taxes. State and federal grants and entitlements, other debt proceeds, cable franchise fees, earnings on investments and miscellaneous revenues make up the balance of the Village's general receipts (18.03 percent).

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

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

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and general government, which account for 30.91 and 24.75 percent of all governmental disbursements, respectively. Capital Outlay and Basic utilities also represent a significant cost, about 15.34 and 9.54 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts. 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 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
<b>Disbursements:</b>				
General Government	\$394,602	\$463,096	(\$376,846)	(\$441,337)
Security of Persons and Property	492,854	515,310	(492,854)	(515,310)
Public Health Services	7,784	7,749	(7,784)	(7,749)
Leisure Time Activities	82,080	81,734	(82,080)	(81,734)
Community Environment	58,595	57,780	(48,655)	(22,780)
Basic Utilities	152,094	129,018	(45,507)	(46,265)
Transportation	64,489	38,266	49,782	78,302
Capital Outlay	244,640	160,475	(100,472)	(93,326)
Principal Retirement	92,003	88,101	(91,983)	(88,101)
Interest and Fiscal Charges	5,443	7,389	(5,463)	(7,389)
<b>Total Expenses</b>	<b>\$1,594,584</b>	<b>\$1,548,918</b>	<b>(\$1,201,862)</b>	<b>(\$1,225,689)</b>

The dependence upon property and income tax receipts is apparent as over 60.14 percent of governmental activities are supported through these general receipts.

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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**Business-type Activities**

The water distribution operation and sewer operation of the Village routinely reports receipts and cash disbursements that are relatively equal. Capital expenditures in 2009 contributed to disbursements exceeding receipts by 22.92 percent. The net assets of the Water Fund decreased \$93,172 over 2008 and net assets of the Sewer Fund decreased \$66,764 over 2008.

**The Village's Funds**

Total governmental funds had receipts of \$1,563,083 and disbursements of \$1,594,584. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$84,665 in part due to decreased interest rates and property tax collections.

**General Fund Budgeting Highlights**

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

During 2009, the Village amended its General Fund budget several times to reflect changing circumstances.

Final disbursements, excluding transfers, were budgeted at \$1,397,840 while actual disbursements were \$1,185,166. The Village kept spending very close to budgeted amounts.

**Debt Administration**

At December 31, 2009, the Village's outstanding principal debt is \$2,185,639. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Outstanding Debt	2009	2008
General Obligation Bonds	\$0	\$3,000
OPWC Loans	75,568	106,764
OWDA Loans	2,058,256	2,293,659
Land Loan	86,208	126,495
Engineering Agreement	(34,393)	(8,614)
Totals	\$2,185,639	\$2,521,304

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and shrinking, funding. There is a heavy reliance upon local taxes.

**Contacting the Village's Financial Management**

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

**Village of LaGrange**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2009*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,158,366	\$1,571,543	\$2,729,909
<i>Total Assets</i>	<u>\$1,158,366</u>	<u>\$1,571,543</u>	<u>\$2,729,909</u>
<b>Net Assets</b>			
Restricted for:			
Debt Service	\$5,152	\$0	\$5,152
Other Purposes	304,749	1,571,543	1,876,292
Unrestricted	848,465	0	848,465
<i>Total Net Assets</i>	<u>\$1,158,366</u>	<u>\$1,571,543</u>	<u>\$2,729,909</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
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
<b>Governmental Activities</b>							
Security of Persons and Property	\$492,854	\$0	\$0	\$0	(\$492,854)	\$0	(\$492,854)
Public Health Services	7,784	0	0	0	(7,784)	0	(7,784)
Leisure Time Activities	82,080	0	0	0	(82,080)	0	(82,080)
Community Environment	58,595	9,940	0	0	(48,655)	0	(48,655)
Basic Utility Services	152,094	106,587	0	0	(45,507)	0	(45,507)
Transportation	64,489	0	114,271	0	49,782	0	49,782
General Government	394,602	16,676	1,080	0	(376,846)	0	(376,846)
Capital Outlay	244,640	0	0	144,168	(100,472)	0	(100,472)
Debt Service:							
Principal	91,983	0	0	0	(91,983)	0	(91,983)
Interest	5,463	0	0	0	(5,463)	0	(5,463)
<i>Total Governmental Activities</i>	<u>1,594,584</u>	<u>133,203</u>	<u>115,351</u>	<u>144,168</u>	<u>(1,201,862)</u>	<u>0</u>	<u>(1,201,862)</u>
<b>Business Type Activities</b>							
Water	632,264	430,800	0	0	0	(201,464)	(201,464)
Sewer	522,482	455,718	0	0	0	(66,764)	(66,764)
Enterprise Deposit Fund	6,218	8,400	0	0	0	2,182	2,182
<i>Total Business Type Activities</i>	<u>1,160,964</u>	<u>894,918</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(266,046)</u>	<u>(266,046)</u>
<b>Total</b>	<u>\$2,755,548</u>	<u>\$1,028,121</u>	<u>\$115,351</u>	<u>\$144,168</u>	<u>(\$1,201,862)</u>	<u>(\$266,046)</u>	<u>(\$1,467,908)</u>
<b>General Receipts</b>							
Property Taxes					220,482	0	220,482
Municipal Income Taxes					738,433	0	738,433
Other Taxes					3,809	0	3,809
Grants and Entitlements not Restricted to Specific Programs					192,098	0	192,098
Other Debt Proceeds					4,182	0	4,182
Cable Franchise Fees					6,610	0	6,610
Earnings on Investments					8,120	0	8,120
Miscellaneous					809	1	810
<i>Total General Receipts</i>					<u>1,174,543</u>	<u>1</u>	<u>1,174,544</u>
Transfers					(108,291)	108,291	0
<i>Total General Receipts and Transfers</i>					<u>1,066,252</u>	<u>108,292</u>	<u>1,174,544</u>
Change in Net Assets					(135,610)	(157,754)	(293,364)
<i>Net Assets Beginning of Year</i>					<u>1,293,976</u>	<u>1,729,297</u>	<u>3,023,273</u>
<i>Net Assets End of Year</i>					<u>\$1,158,366</u>	<u>\$1,571,543</u>	<u>\$2,729,909</u>

See accompanying notes to the basic financial statements:

**Village of LaGrange**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2009*

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$911,805	\$190,410	\$56,151	\$1,158,366
<i>Total Assets</i>	<u>\$911,805</u>	<u>\$190,410</u>	<u>\$56,151</u>	<u>\$1,158,366</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$6,320	\$0	\$0	\$6,320
Reserved for Unclaimed Monies	856	0	0	856
Reserved for Law Enforcement and Street Repair:	56,164	0	0	56,164
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	848,465	0	0	848,465
Special Revenue Funds	0	190,410	50,999	241,409
Debt Service Fund	0	0	5,152	5,152
<i>Total Fund Balances</i>	<u>\$911,805</u>	<u>\$190,410</u>	<u>\$56,151</u>	<u>\$1,158,366</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$220,482	\$0	\$0	\$220,482
Municipal Income Taxes	738,433	0	0	738,433
Intergovernmental	195,907	95,701	163,818	455,426
Charges for Services	106,720	0	0	106,720
Fines, Licenses and Permits	31,206	0	1,887	33,093
Earnings on Investments	6,361	1,680	79	8,120
Miscellaneous	809	0	0	809
<b>Total Receipts</b>	<b>1,299,918</b>	<b>97,381</b>	<b>165,784</b>	<b>1,563,083</b>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	492,667	0	187	492,854
Public Health Services	7,784	0	0	7,784
Leisure Time Activities	67,080	0	15,000	82,080
Community Environment	58,595	0	0	58,595
Basic Utility Services	152,094	0	0	152,094
Transportation	6,024	52,437	6,028	64,489
General Government	394,602	0	0	394,602
Capital Outlay	0	96,290	148,350	244,640
Debt Service:				
Principal Retirement	0	0	91,983	91,983
Interest and Fiscal Charges	0	0	5,463	5,463
<b>Total Disbursements</b>	<b>1,178,846</b>	<b>148,727</b>	<b>267,011</b>	<b>1,594,584</b>
Excess of Receipts Over (Under) Disbursements	121,072	(51,346)	(101,227)	(31,501)
<b>Other Financing Sources (Uses)</b>				
Other Debt Proceeds	0	0	4,182	4,182
Transfers In	0	0	97,446	97,446
Transfers Out	(205,737)	0	0	(205,737)
<b>Total Other Financing Sources (Uses)</b>	<b>(205,737)</b>	<b>0</b>	<b>101,628</b>	<b>(104,109)</b>
Net Change in Fund Balances	(84,665)	(51,346)	401	(135,610)
Fund Balances, Beginning of Year	996,470	241,756	55,750	1,293,976
Fund Balances, End of Year	<u>\$911,805</u>	<u>\$190,410</u>	<u>\$56,151</u>	<u>\$1,158,366</u>

See accompanying notes to the basic financial statements



**Village of LaGrange**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$292,213	\$292,213	\$220,482	(\$71,731)
Municipal Income Taxes	600,000	600,000	738,433	138,433
Intergovernmental	65,345	56,735	195,907	139,172
Charges for Services	75,000	75,000	106,720	31,720
Fines, Licenses and Permits	22,000	22,000	31,206	9,206
Earnings on Investments	10,000	10,000	6,361	(3,639)
Miscellaneous	0	0	809	809
<i>Total receipts</i>	<u>1,064,558</u>	<u>1,055,948</u>	<u>1,299,918</u>	<u>243,970</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	418,150	520,470	492,704	27,766
Public Health Services	7,748	7,798	7,784	14
Leisure Time Activities	11,200	67,500	67,080	420
Community Environment	45,255	76,335	63,095	13,240
Basic Utility Services	65,000	158,000	152,093	5,907
Transportation	3,000	11,855	6,024	5,831
General Government	436,092	555,882	396,386	159,496
<i>Total Disbursements</i>	<u>986,445</u>	<u>1,397,840</u>	<u>1,185,166</u>	<u>212,674</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>78,113</u>	<u>(341,892)</u>	<u>114,752</u>	<u>456,644</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>(94,637)</u>	<u>(206,104)</u>	<u>(205,737)</u>	<u>367</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(94,637)</u>	<u>(206,104)</u>	<u>(205,737)</u>	<u>367</u>
<i>Net Change in Fund Balance</i>	(16,524)	(547,996)	(90,985)	457,011
<i>Unencumbered Fund Balance, Beginning of Year</i>	973,478	973,478	973,478	0
Prior Year Encumbrances Appropriated	<u>22,992</u>	<u>22,992</u>	<u>22,992</u>	<u>0</u>
<i>Unencumbered Fund Balance, End of Year</i>	<u>\$979,946</u>	<u>\$448,474</u>	<u>\$905,485</u>	<u>\$457,011</u>
Unclaimed Money			856	
<i>Unencumbered Undesignated Fund Balance</i>			<u>\$904,629</u>	

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis  
 Street Construction, Maintenance, and Repair Fund  
 For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$69,500	\$69,500	\$95,701	\$26,201
Earnings on Investments	500	500	1,680	1,180
<i>Total receipts</i>	70,000	70,000	97,381	27,381
<b>Disbursements</b>				
Current:				
Transportation	60,000	61,300	52,437	8,863
Capital Outlay	12,005	140,581	96,290	44,291
<i>Total Disbursements</i>	72,005	201,881	148,727	53,154
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,005)	(131,881)	(51,346)	80,535
<i>Net Change in Fund Balance</i>	(2,005)	(131,881)	(51,346)	80,535
<i>Unencumbered Fund Balance, Beginning of Year</i>	229,510	229,510	229,510	0
Prior Year Encumbrances Appropriated	12,246	12,246	12,246	0
<i>Unencumbered Fund Balance, End of Year</i>	\$239,751	\$109,875	\$190,410	\$80,535

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2009*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$899,863	\$646,845	\$24,835	\$1,571,543
<i>Total Assets</i>	<u>\$899,863</u>	<u>\$646,845</u>	<u>\$24,835</u>	<u>\$1,571,543</u>
<b>Net Assets</b>				
Restricted for:				
Other Purposes	\$899,863	\$646,845	\$24,835	\$1,571,543
<i>Total Net Assets</i>	<u>\$899,863</u>	<u>\$646,845</u>	<u>\$24,835</u>	<u>\$1,571,543</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2009*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
<b>Operating Receipts</b>				
Charges for Services	\$430,800	\$455,718	\$8,400	\$894,918
<i>Total Operating Receipts</i>	<u>430,800</u>	<u>455,718</u>	<u>8,400</u>	<u>894,918</u>
<b>Operating Disbursements</b>				
Personal Services	70,781	96,938	0	167,719
Employee Fringe Benefits	18,280	35,750	0	54,030
Contractual Services	261,954	112,713	0	374,667
Supplies and Materials	28,934	44,759	0	73,693
Other	0	0	6,218	6,218
<i>Total Operating Disbursements</i>	<u>379,949</u>	<u>290,160</u>	<u>6,218</u>	<u>676,327</u>
<i>Operating Income (Loss)</i>	<u>50,851</u>	<u>165,558</u>	<u>2,182</u>	<u>218,591</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Miscellaneous Receipts	1	0	0	1
Capital Outlay	(107,516)	(67,554)	0	(175,070)
Principal Payments	(115,500)	(134,903)	0	(250,403)
Interest and Fiscal Charges	(29,299)	(29,865)	0	(59,164)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(252,314)</u>	<u>(232,322)</u>	<u>0</u>	<u>(484,636)</u>
<i>Income (Loss) before Transfers</i>	<u>(201,463)</u>	<u>(66,764)</u>	<u>2,182</u>	<u>(266,045)</u>
Transfers In	108,291	0	0	108,291
<i>Change in Net Assets</i>	(93,172)	(66,764)	2,182	(157,754)
<i>Net Assets, Beginning of Year</i>	<u>993,035</u>	<u>713,609</u>	<u>22,653</u>	<u>1,729,297</u>
<i>Net Assets, End of Year</i>	<u>\$899,863</u>	<u>\$646,845</u>	<u>\$24,835</u>	<u>\$1,571,543</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$16,007
<i>Total Assets</i>	<u>\$16,007</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$16,007
<i>Total Net Assets</i>	<u>\$16,007</u>

See accompanying notes to the basic financial statements

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**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, and maintenance of Village roads, park operations, and police services.

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

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

LaGrange Village and LaGrange Township are joint ventures in the operation of the LaGrange Community Park. Further information regarding this joint venture can be found in Note 13.

The Village also entered into an agreement with LaGrange Township for the purchase of land for a proposed Village/Township hall. 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. Further information regarding this jointly governed organization can be found in Note 14.

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

**Note 2 – Summary of Significant Accounting Policies**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

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 are restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund and the Street Construction, Maintenance, 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 Street Construction, Maintenance and Repair Fund receives gasoline 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.



**Note 2 – Summary of Significant Accounting Policies (continued)**

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. 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, department, division, and, within each, the amount appropriated for personal services.

**Note 2 – Summary of Significant Accounting Policies (continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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 2009, the Village invested in nonnegotiable certificates of deposit, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

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 2009 was \$6,361 which includes \$2,125 assigned from other Village funds.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

L. Net Assets

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

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

M. Fund Balance Reserves

The Village reserves any portion of fund balances which 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 and unclaimed monies.

N. Interfund Transactions

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

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Street Construction, Maintenance and Repair Fund and 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 \$6,320 for the General Fund. The Street Construction, Maintenance, and Repair Fund did not have any encumbrances outstanding at year end.

**Note 4 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporations, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Note 4 – Deposits and Investments (continued)**

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, the Village's bank balance of \$277,592 were all insured by the Federal Depository Insurance Corporation.

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

Investments

As of December 31, 2009, the Village had the following investment:

	Carrying Value	Maturity
STAR Ohio	\$2,671,687.98	Less than 1 year

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing

Village of LaGrange  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

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**Note 4 – Deposits and Investments (continued)**

authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**Note 5 – Income Taxes**

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

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2008, and collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2009 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of December 31, 2008. The tangible personal property tax was phased out – the assessment percentage of all property including inventory was reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20. Tangible personal property tax is assessed only against local and inter-exchange telephone companies for 2009, who must file a list of such property to the County by each April 30.

The full tax rate for all Village operations for the year ended December 31, 2009, was \$5.23 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$43,664,500
Commercial/Industrial/Mineral	11,215,450
Tangible Personal Property	
Public Utility Personal	1,303,320
Telephone Tangible	50,351
Total Assessed Value	<u>\$56,233,621</u>

**Note 7 – Risk Management**

The Village has obtained commercial insurance for the following risks:

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

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

**Note 8 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify

for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2009, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2009 was 14.0 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, 2009, 2008 and 2007 were \$35,039, \$28,659, and \$36,755 respectively. The full amount has been contributed for 2009, 2008 and 2007.

**Note 8 – Defined Benefit Pension Plans (continued)**

**B. Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2009, 2008, and 2007 were \$52,742, \$51,002, and \$47,856, respectively. The full amount has been contributed for 2009, 2008 and 2007.

**Note 9 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.



**Note 9 – Postemployment Benefits (continued)**

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above, are the contractually required contribution rates for OPERS. Actual employer contributions for the years ended December 31, 2009, 2008 and 2007 which were used to fund postemployment benefits were \$25,336, \$28,658, and \$17,690, respectively. The full amount has been contributed for 2009, 2008, and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for 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. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

Village of LaGrange  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

**Note 9 – Postemployment Benefits (continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F for the years ending December 31, 2009, 2008, and 2007 were \$52,742, \$51,002 and \$47,856, of which \$18,257, \$17,655 and \$19,020, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2009, 2008, and 2007.

**Note 10 – Debt**

The Village's long-term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond Sewer 1987-2009 - \$51,100	5.88%	\$3,000	\$0	\$3,000	\$0	\$0
Ohio Public Works Commission Forest Street Loan 2001-2011 - \$105,469	0.00%	21,094	0	10,547	10,547	10,547
Ohio Public Works Commission Factory Street Loan 2005-2014 - \$35,163	0.00%	19,340	0	3,516	15,824	3,516
Ohio Public Works Commission Keywood Blvd. Loan ** 2007-2018 - \$50,000	0.00%	21,330	0	2,133	19,197	2,133
Park/38 Acres Loan 2003-2012 - \$336,000	4.54%	126,495	0	40,287	86,208	42,137
Engineering Agreement * 2006-2017 - \$325,000	0.00%	(8,614)	6,721	32,500	(34,393)	32,500
<b>Total Governmental Activities</b>		<u>\$182,645</u>	<u>\$6,721</u>	<u>\$91,983</u>	<u>\$97,383</u>	<u>\$90,833</u>

\* - As of December 31, 2009, the Village had only drawn down \$28,715 from the Lorain County Engineer to pay engineering expenses for the State Route 301 project. The total cooperative agreement was for \$325,000 with annual payments of \$32,500 which began in 2008. The remaining balance will be drawn as the project progresses.

Village of LaGrange  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

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**Note 10 – Debt (continued)**

\*\* - OPWC issued a revised Final Loan Repayment Schedule based upon the contract provisions made between the Village and the awarded contractor. Original loan amount decreased from \$50,000 to \$21,330 and semi-annual payments due were reduced from \$2,500 to \$1,067.

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2009</u>	<u>Due Within One Year</u>
Ohio Public Works Commission Water Transmission Line 1992-2012 - \$300,000	0.00%	\$45,000	\$0	\$15,000	\$30,000	\$15,000
Ohio Water Development Authority Water Transmission Line 1663 1192-2011 - \$100,000	7.56%	21,639	0	8,218	13,421	8,839
Ohio Water Development Authority Sewer Plant Revisions 1664 1993-2012 - \$358,618	7.24%	103,139	0	27,017	76,122	28,974
Ohio Water Development Authority S. Center St. Water 2034 1996-2011 - \$95,421	6.51%	18,486	0	8,951	9,535	9,534
Ohio Water Development Authority Waste Water Plant 3452 2002-2022 - \$2,248,188	1.50%	1,536,487	0	107,886	1,428,601	109,511
Ohio Water Development Authority Elevated Water Tank 4074 2006-2015 - \$878,140	4.48%	613,908	0	83,331	530,577	87,107
<b>Total Business-Type Activities</b>		<u>\$2,338,659</u>	<u>\$0</u>	<u>\$250,403</u>	<u>\$2,088,256</u>	<u>\$258,965</u>

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

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

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

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

Village of LaGrange  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

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**Note 10 – Debt (continued)**

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

Year	Engineering Agreement		OPWC Loans	
	Principal	Interest	Principal	Interest
2010	\$32,500	\$0	\$31,196	\$0
2011	32,500	0	20,649	0
2012	32,500	0	5,649	0
2013	32,500	0	5,649	0
2014	32,500	0	3,891	0
2015-2019	97,500	0	8,534	0
2020-2024	0	0	0	0
Totals	\$260,000	\$0	\$75,568	\$0

Year	Land Loan		OWDA Loans	
	Principal	Interest	Principal	Interest
2010	\$42,137	\$3,437	\$243,965	\$50,714
2011	44,071	1,502	237,866	41,850
2012	0	0	224,087	33,559
2013	0	0	214,022	26,421
2014	0	0	220,253	20,209
2015-2019	0	0	661,823	45,786
2020-2024	0	0	256,240	4,822
Totals	\$86,208	\$4,939	\$2,058,256	\$223,361

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, 2009, were an overall debt margin of \$5,751,464 and an unvoted debt margin of \$3,012,671.

**Note 11 – Interfund Transfers**

During 2009, the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$97,446
Water Enterprise Fund	108,291
Total Transfers from the General Fund	<u>\$205,737</u>

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

**Note 12 – Contingent Liabilities**

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

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

**Note 13 – Joint Ventures**

As previously stated in Note 1, the Village and LaGrange Township share the cost of operation and development of the LaGrange Business Park. The purchase of property (38 acres) by the Village and LaGrange Township is being developed as the LaGrange Business Park. Costs for development are being shared equally. The 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, with the fifth member, designated as chairperson for one year, appointed, on an annual alternating basis, by the Village Council and the Township Trustees. The Board must receive approval from the legislative bodies of both the Village and the Township on any contracts, agreements, and other commitments for expenditure of property. The Village and the Township have an equal interest in the real and personal property of the Park and share equally in the cost and contributions toward the Park.

The Village also entered into an agreement with LaGrange Township for the purchase of land for a proposed Village/Township hall. The cost of the property was equally divided with the Village's share being \$145,000.

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

**Note 14 – Jointly Governed Organizations**

As previously stated in Note 1, the Village of LaGrange and LaGrange Township formed the LaGrange Community Improvement Corporation in March 2005 to act as agent for the Village and Township to develop and implement a plan for the subdivision, sale and lease of real estate jointly owned by the Village and the Township. The LaGrange Community Improvement Corporation was formed for the purposes of advancing, encouraging and promoting the light industrial economic, commercial distribution and research activities to provide opportunities for gainful employment and for civil development within the 38.96 acres of the property owned by the Village and Township.

The LaGrange Community Improvement Corporation is comprised of two Village members and two Township members.

**Note 15 – Related Party Transaction**

The Chariman of the Recreational Park Board is employed by Page Equipment. The Village paid \$1,398 to Page Equipment during 2009 for maintenance equipment.

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Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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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, 2008, 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 2008 are as follows:

Net assets of governmental activities decreased \$24,158 or 1.83 percent, an insignificant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the General Fund and the Street Construction, Maintenance, and Repair Fund.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 14.34 and 47.15 percent of the total cash received for governmental activities during the year. Property and Other Local Tax receipts decreased from 2007 by \$29,527 or 10.67 percent. Income Tax receipts increased from 2007 by \$57,131 or 7.79 percent.

The water distribution operation and the sanitary sewer processing operation, business-type activities, increased net assets by \$194,259.

### **Using the Basic Financial Statements**

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

#### **Report Components**

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

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

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

#### **Basis of Accounting**

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

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

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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 three business-type activities, the provision of water distribution, sanitary sewer service and an enterprise deposit fund. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Construction, Maintenance, 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 – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water Fund and the Sewer



Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's Agency funds include Sidewalk Performance Bonds, Commercial Permits, and Mayor's Court. The Village has no Trust Funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:

**(Table 1)  
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,293,976	\$1,318,134	\$1,729,297	\$1,535,038	\$3,023,273	\$2,853,172
Total Assets	\$1,293,976	\$1,318,134	\$1,729,297	\$1,535,038	\$3,023,273	\$2,853,172
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$5,152	\$8,505	\$0	\$0	\$5,152	\$8,505
Other Purposes	292,354	349,652	1,729,297	1,535,038	2,021,651	1,884,690
Unrestricted	996,470	959,977	0	0	996,470	959,977
Total Net Assets	\$1,293,976	\$1,318,134	\$1,729,297	\$1,535,038	\$3,023,273	\$2,853,172

As mentioned previously, net assets of governmental activities decreased \$24,158 or 1.83 percent during 2008. The primary reasons contributing to the decrease in cash balances are as follows:

- Property and Other Local Taxes decreased \$29,527 as a result of nation wide economic issues affecting local property taxes.
- Earnings on investments decreased \$52,770 due to the nation-wide economic issues resulting in interest rates plummeting from 4.25% to 1.41% by the end of 2008.
- Off setting the previous mentioned decreases, Income Tax receipts increased \$57,131 due to additional jobs in the new Business Park.
- Net assets of business-type activities increased due to transfers from the General Fund to the Water Fund of \$152,567, including a transfer of \$48,897 for the 2.7 mil levy not completed in 2007, Ordinance 2007-2141.

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities, business type activities and total primary government.

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

**(Table 2)**  
**Changes in Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$139,032	\$178,865	\$943,634	\$1,214,964	\$1,082,666	\$1,393,829
Operating Grants and Contributions	117,048	103,698	0	0	\$117,048	103,698
Capital Grants and Contributions	67,149	148,860	0	0	\$67,149	148,860
Total Program Receipts	323,229	431,423	943,634	1,214,964	1,266,863	1,646,387
General Receipts:						
Property Taxes	240,452	274,604	0	0	240,452	274,604
Income Taxes	790,853	733,722	0	0	790,853	733,722
Other Taxes	6,769	2,144	0	0	6,769	2,144
Grants and Entitlements Not Restricted						
to Specific Programs	159,666	120,636	0	9,621	159,666	130,257
Sale of Fixed Assets	0	1,724	0	0	0	1,724
Cable Franchise Fees	10,748	9,687	0	0	10,748	9,687
Earnings on Investments	73,619	126,389	107	1,236	73,726	127,625
Miscellaneous	71,991	11,351	6,561	10,063	78,552	21,414
Total General Receipts	1,354,098	1,280,257	6,668	20,920	1,360,766	1,301,177
Total Receipts	1,677,327	1,711,680	950,302	1,235,884	2,627,629	2,947,564
Disbursements:						
General Government	463,096	480,427	0	0	463,096	480,427
Security of Persons and Property:	515,310	464,462	0	0	515,310	464,462
Public Health Services	7,749	6,585	0	0	7,749	6,585
Leisure Time Activities	81,734	78,902	0	0	81,734	78,902
Community Environment	57,780	69,306	0	0	57,780	69,306
Basic Utilities	129,018	137,501	0	0	129,018	137,501
Transportation	38,266	45,269	0	0	38,266	45,269
Capital Outlay	160,475	72,592	0	0	160,475	72,592
Principal Retirement	88,062	69,376	0	0	88,062	69,376
Interest and Fiscal Charges	7,428	10,456	0	0	7,428	10,456
Water	0	0	449,556	495,029	449,556	495,029
Sewer	0	0	450,582	453,942	450,582	453,942
Enterprise Deposit Fund	0	0	8,472	6,750	8,472	6,750
Total Disbursements	1,548,918	1,434,876	908,610	955,721	2,457,528	2,390,597
Excess (Deficiency) Before Transfers	128,409	276,804	41,692	280,163	170,101	556,967
Transfers	(152,567)	(59,823)	152,567	59,823	0	0
Increase (Decrease) in Net Assets	(24,158)	216,981	194,259	339,986	170,101	556,967
Net Assets, January 1	1,318,134	1,101,153	1,535,038	1,195,052	2,853,172	2,296,205
Net Assets, December 31	\$1,293,976	\$1,318,134	\$1,729,297	\$1,535,038	\$3,023,273	\$2,853,172

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

Program receipts represent only 48.21 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and water and sewer user charges.

General receipts represent 51.79 percent of the Village's total receipts, and of this amount, over 76.29 percent are property and other local taxes and income taxes. State and federal grants and entitlements, cable franchise fees, earnings on investments and miscellaneous make up the balance of the Village's general receipts (23.71 percent).

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

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

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and general government, which account for 33.27 and 29.99 percent of all governmental disbursements, respectively. Basic utilities also represent a significant cost, about 8.33 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)**  
**Governmental Activities**

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
<b>Disbursements:</b>				
General Government	\$463,096	\$480,427	(\$441,337)	(\$446,169)
Security of Persons and Property	515,310	464,462	(515,310)	(464,462)
Public Health Services	7,749	6,585	(7,749)	(6,585)
Leisure Time Activities	81,734	78,902	(81,734)	(78,902)
Community Environment	57,780	69,306	(22,780)	(13,112)
Basic Utilities	129,018	137,501	(46,265)	(49,088)
Transportation	38,266	45,269	78,302	58,429
Capital Outlay	160,475	72,592	(93,326)	76,268
Principal Retirement	88,101	69,376	(88,101)	(69,376)
Interest and Fiscal Charges	7,389	10,456	(7,389)	(10,456)
<b>Total Expenses</b>	<b>\$1,548,918</b>	<b>\$1,434,876</b>	<b>(\$1,225,689)</b>	<b>(\$1,003,453)</b>

The dependence upon property and income tax receipts is apparent as over 66.58 percent of governmental activities are supported through these general receipts.

Village of LaGrange  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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**Business-type Activities**

The water distribution operation and sewer operation of the Village routinely reports receipts and cash disbursements that are relatively equal. The net assets of the Water Fund increased as a result of transfers from the General Fund, including the transfer of the receipts of the 2.7 mill levy from the General Fund.

**The Village's Funds**

Total governmental funds had receipts of \$1,677,327 and disbursements of \$1,548,918. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$22,046 in part due to decreased interest rates and property tax collections as well as \$244,704 in transfers to the General Obligation Bond Retirement and Water Funds.

**General Fund Budgeting Highlights**

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

During 2008, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were more than the original budgeted receipts due to increased revenue of income tax. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements, excluding transfers, were budgeted at \$1,383,790 while actual disbursements were \$1,277,256. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Debt Administration**

At December 31, 2008, the Village's outstanding principal debt is \$2,549,974. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Outstanding Debt	2008	2007
General Obligation Bonds	\$3,000	\$6,000
OPWC Loans	135,434	164,497
OWDA Loans	2,293,659	2,520,905
Land Loan	126,495	164,994
Engineering Agreement	(8,614)	19,057
Totals	\$2,549,974	\$2,875,453

**Current Issues**

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

**Contacting the Village's Financial Management**

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

**Village of LaGrange**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2008*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,293,976	\$1,729,297	\$3,023,273
<i>Total Assets</i>	<u>\$1,293,976</u>	<u>\$1,729,297</u>	<u>\$3,023,273</u>
<b>Net Assets</b>			
Restricted for:			
Debt Service	\$5,152	\$0	\$5,152
Other Purposes	382,282	1,729,297	2,111,579
Unrestricted	906,542	0	906,542
<i>Total Net Assets</i>	<u>\$1,293,976</u>	<u>\$1,729,297</u>	<u>\$3,023,273</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
Security of Persons and Property	\$515,310	\$0	\$0	\$0	(\$515,310)	\$0	(\$515,310)
Public Health Services	7,749	0	0	0	(7,749)	0	(7,749)
Leisure Time Activities	81,734	0	0	0	(81,734)	0	(81,734)
Community Environment	57,780	35,000	0	0	(22,780)	0	(22,780)
Basic Utility Services	129,018	82,753	0	0	(46,265)	0	(46,265)
Transportation	38,266	0	116,568	0	78,302	0	78,302
General Government	463,096	21,279	480	0	(441,337)	0	(441,337)
Capital Outlay	160,475	0	0	67,149	(93,326)	0	(93,326)
Debt Service:							
Principal	88,062	0	0	0	(88,062)	0	(88,062)
Interest	7,428	0	0	0	(7,428)	0	(7,428)
<i>Total Governmental Activities</i>	<u>1,548,918</u>	<u>139,032</u>	<u>117,048</u>	<u>67,149</u>	<u>(1,225,689)</u>	<u>0</u>	<u>(1,225,689)</u>
<b>Business Type Activities</b>							
Water	449,556	478,871	0	0	0	29,315	29,315
Sewer	450,582	458,288	0	0	0	7,706	7,706
Enterprise Deposit Fund	8,472	6,475	0	0	0	(1,997)	(1,997)
<i>Total Business Type Activities</i>	<u>908,610</u>	<u>943,634</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,024</u>	<u>35,024</u>
<b>Total</b>	<u>\$2,457,528</u>	<u>\$1,082,666</u>	<u>\$117,048</u>	<u>\$67,149</u>	<u>(\$1,225,689)</u>	<u>\$35,024</u>	<u>(\$1,190,665)</u>
<b>General Receipts</b>							
Property Taxes					240,452	0	240,452
Municipal Income Taxes					790,853	0	790,853
Other Taxes					6,769	0	6,769
Grants and Entitlements not Restricted to Specific Programs					159,666	0	159,666
Cable Franchise Fees					10,748	0	10,748
Earnings on Investments					73,619	107	73,726
Miscellaneous					71,991	6,561	78,552
<i>Total General Receipts</i>					<u>1,354,098</u>	<u>6,668</u>	<u>1,360,766</u>
Transfers					(152,567)	152,567	0
<i>Total General Receipts and Transfers</i>					<u>1,201,531</u>	<u>159,235</u>	<u>1,360,766</u>
Change in Net Assets					(24,158)	194,259	170,101
<i>Net Assets, Beginning of Year</i>					<u>1,318,134</u>	<u>1,535,038</u>	<u>2,853,172</u>
<i>Net Assets, End of Year</i>					<u>\$1,293,976</u>	<u>\$1,729,297</u>	<u>\$3,023,273</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2008*

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$996,470	\$241,756	\$55,750	\$1,293,976
<i>Total Assets</i>	<u>\$996,470</u>	<u>\$241,756</u>	<u>\$55,750</u>	<u>\$1,293,976</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$22,992	\$12,246	\$176	\$35,414
Reserved for Unclaimed Monies	856	0	0	856
Reserved for Law Enforcement and Street Repairs	66,080	0	0	66,080
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	906,542	0	0	906,542
Special Revenue Funds	0	229,510	50,422	279,932
Debt Service Fund	0	0	5,152	5,152
<i>Total Fund Balances</i>	<u>\$996,470</u>	<u>\$241,756</u>	<u>\$55,750</u>	<u>\$1,293,976</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$240,452	\$0	\$0	\$240,452
Municipal Income Taxes	790,853	0	0	790,853
Intergovernmental	166,434	97,712	86,486	350,632
Charges for Services	83,346	0	0	83,346
Fines, Licenses and Permits	63,971	0	2,463	66,434
Earnings on Investments	59,875	13,302	442	73,619
Miscellaneous	71,991	0	0	71,991
<b>Total Receipts</b>	<b>1,476,922</b>	<b>111,014</b>	<b>89,391</b>	<b>1,677,327</b>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	514,830	0	480	515,310
Public Health Services	7,749	0	0	7,749
Leisure Time Activities	81,734	0	0	81,734
Community Environment	57,780	0	0	57,780
Basic Utility Services	129,018	0	0	129,018
Transportation	1,011	29,993	7,262	38,266
General Government	462,142	0	954	463,096
Capital Outlay	0	93,326	67,149	160,475
Debt Service:				
Principal Retirement	0	0	88,062	88,062
Interest and Fiscal Charges	0	0	7,428	7,428
<b>Total Disbursements</b>	<b>1,254,264</b>	<b>123,319</b>	<b>171,335</b>	<b>1,548,918</b>
Excess of Receipts Over (Under) Disbursements	222,658	(12,305)	(81,944)	128,409
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	92,137	92,137
Transfers Out	(244,704)	0	0	(244,704)
<b>Total Other Financing Sources (Uses)</b>	<b>(244,704)</b>	<b>0</b>	<b>92,137</b>	<b>(152,567)</b>
Net Change in Fund Balances	(22,046)	(12,305)	10,193	(24,158)
Fund Balances, Beginning of Year	1,018,516	254,061	45,557	1,318,134
Fund Balances, End of Year	\$996,470	\$241,756	\$55,750	\$1,293,976

See accompanying notes to the basic financial statements



**Village of LaGrange**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis  
 General Fund  
 For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$315,207	\$264,907	\$240,452	(\$24,455)
Municipal Income Taxes	560,000	777,000	790,853	13,853
Intergovernmental	60,608	137,862	166,434	28,572
Charges for Services	85,000	75,570	83,346	7,776
Fines, Licenses and Permits	10,000	62,683	63,971	1,288
Earnings on Investments	10,000	57,200	59,875	2,675
Miscellaneous	0	71,800	71,991	191
<i>Total receipts</i>	<u>1,040,815</u>	<u>1,447,022</u>	<u>1,476,922</u>	<u>29,900</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	419,335	554,029	516,242	37,787
Public Health Services	6,585	7,748	7,748	0
Leisure Time Activities	61,106	83,306	81,734	1,572
Community Environment	88,448	103,220	74,766	28,454
Basic Utility Services	22,000	129,532	129,017	515
Transportation	3,000	3,000	1,011	1,989
General Government	411,443	502,955	466,738	36,217
<i>Total Disbursements</i>	<u>1,011,917</u>	<u>1,383,790</u>	<u>1,277,256</u>	<u>106,534</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,898</u>	<u>63,232</u>	<u>199,666</u>	<u>136,434</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(92,137)	(244,704)	(244,704)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(92,137)</u>	<u>(244,704)</u>	<u>(244,704)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(63,239)	(181,472)	(45,038)	136,434
<i>Unencumbered Fund Balance, Beginning of Year</i>	952,870	952,870	952,870	0
Prior Year Encumbrances Appropriated	65,646	65,646	65,646	0
<i>Unencumbered Fund Balance, End of Year</i>	<u>\$955,277</u>	<u>\$837,044</u>	<u>\$973,478</u>	<u>\$136,434</u>
Unclaimed Money			856	
<i>Unencumbered Undesignated, Fund Balance</i>			<u>\$972,622</u>	

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis  
 Street Construction, Maintenance, and Repair Fund  
 For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$69,500	\$89,550	\$97,712	\$8,162
Earnings on Investments	500	12,600	13,302	702
<i>Total receipts</i>	70,000	102,150	111,014	8,864
<b>Disbursements</b>				
Current:				
Transportation	51,399	36,619	29,993	6,626
Capital Outlay	20,000	105,572	105,572	0
<i>Total Disbursements</i>	71,399	142,191	135,565	6,626
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,399)	(40,041)	(24,551)	15,490
<i>Net Change in Fund Balance</i>	(1,399)	(40,041)	(24,551)	15,490
<i>Unencumbered Fund Balance, Beginning of Year</i>	252,662	252,662	252,662	0
Prior Year Encumbrances Appropriated	1,399	1,399	1,399	0
<i>Unencumbered Fund Balance, End of Year</i>	\$252,662	\$214,020	\$229,510	\$15,490

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2008*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$993,035	\$713,609	\$22,653	\$1,729,297
<i>Total Assets</i>	<u>\$993,035</u>	<u>\$713,609</u>	<u>\$22,653</u>	<u>\$1,729,297</u>
<b>Net Assets</b>				
Restricted for:				
Other Purposes	\$993,035	\$713,609	\$22,653	\$1,729,297
<i>Total Net Assets</i>	<u>\$993,035</u>	<u>\$713,609</u>	<u>\$22,653</u>	<u>\$1,729,297</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2008*

	Business-Type Activities			Total Enterprise Funds
	Water	Sewer	Nonmajor Enterprise Funds	
<b>Operating Receipts</b>				
Charges for Services	\$478,871	\$458,288	\$6,475	\$943,634
<i>Total Operating Receipts</i>	<u>478,871</u>	<u>458,288</u>	<u>6,475</u>	<u>943,634</u>
<b>Operating Disbursements</b>				
Personal Services	36,858	77,650	0	114,508
Employee Fringe Benefits	19,405	33,710	0	53,115
Contractual Services	225,266	118,269	0	343,535
Supplies and Materials	17,771	55,246	0	73,017
Other	0	0	8,472	8,472
<i>Total Operating Disbursements</i>	<u>299,300</u>	<u>284,875</u>	<u>8,472</u>	<u>592,647</u>
<i>Operating Income (Loss)</i>	<u>179,571</u>	<u>173,413</u>	<u>(1,997)</u>	<u>350,987</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Earnings on Investments	0	107	0	107
Miscellaneous Receipts	345	6,216	0	6,561
Capital Outlay	(5,500)	(999)	0	(6,499)
Principal Payments	(110,765)	(131,480)	0	(242,245)
Interest and Fiscal Charges	(33,991)	(33,228)	0	(67,219)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(149,911)</u>	<u>(159,384)</u>	<u>0</u>	<u>(309,295)</u>
<i>Income (Loss) before Transfers</i>	<u>29,660</u>	<u>14,029</u>	<u>(1,997)</u>	<u>41,692</u>
Transfers In	152,567	0	0	152,567
<i>Change in Net Assets</i>	182,227	14,029	(1,997)	194,259
<i>Net Assets, Beginning of Year</i>	<u>810,808</u>	<u>699,580</u>	<u>24,650</u>	<u>1,535,038</u>
<i>Net Assets, End of Year</i>	<u>\$993,035</u>	<u>\$713,609</u>	<u>\$22,653</u>	<u>\$1,729,297</u>

See accompanying notes to the basic financial statements

**Village of LaGrange**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2008*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$17,388
<i>Total Assets</i>	<u>\$17,388</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$17,388
<i>Total Net Assets</i>	<u>\$17,388</u>

See accompanying notes to the basic financial statements

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**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, and maintenance of Village roads, park operations, and police services.

**B. Joint Ventures and Jointly Governed Organizations**

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.

LaGrange Village and LaGrange Township are joint ventures in the operation of the LaGrange Community Park. Further information regarding this joint venture can be found in Note 13.

The Village also entered into an agreement with LaGrange Township for the purchase of land for a proposed Village/Township hall. 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. Further information regarding this jointly governed organization can be found in Note 14.

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

**Note 2 – Summary of Significant Accounting Policies**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**B. Fund Accounting**

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



**Note 2 – Summary of Significant Accounting Policies (continued)**

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the

General Fund 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 Street Construction Maintenance and Repair Fund receives gasoline and motor vehicle tax for the purpose of constructing, maintaining, and repairing Village streets. The other governmental funds of the Village account for income taxes, grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

**D. Budgetary Process**

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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 2008, the Village invested in nonnegotiable certificates of deposit, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

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 2008 was \$59,875 which includes \$24,300 assigned from other Village funds.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

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

**K. Long-Term Obligations**

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

**L. Net Assets**

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

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

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which 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.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**N. Interfund Transactions**

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

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the 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 \$22,992 for the General Fund and \$12,246 for the Street Construction, Maintenance and Repair Fund.

**Note 4 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporations, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Note 4 – Deposits and Investments (continued)**

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, the Village's bank balance of \$178,573 were all insured by the Federal Depository Insurance Corporation.

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

Investments

As of December 31, 2008, the Village had the following investment:

	Carrying Value	Maturity
STAR Ohio	\$2,916,475	Less than 1 year

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

**Note 4 – Deposits and Investments (continued)**

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

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

**Note 5 – Income Taxes**

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

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007, and collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Village of LaGrange  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

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**Note 6 – Property Taxes (continued)**

The full tax rate for all Village operations for the year ended December 31, 2008, was \$5.23 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$42,840,820
Commercial/Industrial/Mineral	10,543,410
Tangible Personal Property	
Public Utility Personal	1,289,390
Tangible Personal	1,276,538
Total Assessed Value	<u>\$55,950,158</u>

**Note 7 – Risk Management**

The Village has obtained commercial insurance for the following risks:

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

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

**Note 8 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Note 8 – Defined Benefit Pension Plans (continued)**

For the year ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2008 was 14.0 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, 2008, 2007 and 2006 were \$28,659, \$36,755 and \$37,596, respectively. The full amount has been contributed for 2008, 2007 and 2006.

**B. Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2008, 2007, and 2006 were \$51,002, \$47,856, and \$43,849. The full amount has been contributed for 2008, 2007 and 2006.

**Note 9 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.



**Note 9 - Postemployment Benefits (continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above, are the contractually required contribution rates for OPERS. Actual employer contributions for the years ended December 31, 2008, 2007 and 2006 which were used to fund postemployment benefits were \$28,658, \$17,690, and \$18,389, respectively. The full amount has been contributed for 2009, 2008, and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for 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. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

Village of LaGrange  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

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**Note 9 - Postemployment Benefits (continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F for the years ending December 31, 2008, 2007, and 2006 were \$51,002, \$47,856 and \$43,849, of which \$17,655, \$19,020 and \$17,427, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2008, 2007, and 2006.

**Note 10 – Debt**

The Village's long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond Sewer 1987-2009 - \$51,100	5.88%	\$6,000	\$0	\$3,000	\$3,000	\$3,000
Ohio Public Works Commission Forest Street Loan 2001-2011 - \$105,469	0.00%	31,641	0	10,547	21,094	10,547
Ohio Public Works Commission Factory Street Loan 2005-2014 - \$35,163	0.00%	22,856	0	3,516	19,340	3,516
Ohio Public Works Commission Keywood Blvd. Loan 2007-2018 - \$50,000	0.00%	50,000	0	0	50,000	7,500
Park/38 Acres Loan 2003-2012 - \$336,000	4.54%	164,994	0	38,499	126,495	40,287
Engineering Agreement *						
2006-2017 - \$325,000	0.00%	19,057	4,829	32,500	(8,614)	32,500
<b>Total Governmental Activities</b>		<u>\$294,548</u>	<u>\$4,829</u>	<u>\$88,062</u>	<u>\$211,315</u>	<u>\$97,350</u>

\* - As of December 31, 2008 the Village had only drawn down \$23,886 from the Lorain County Engineer to pay engineering expenses for the State Route 301 project. The total cooperative agreement was for \$325,000 with annual payments of \$32,500 beginning in June 2008. The remaining balance will be drawn as the project progresses.

Village of LaGrange  
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For the Year Ended December 31, 2008

**Note 10 – Debt (continued)**

	Interest Rate	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
<u>Business-Type Activities</u>						
Ohio Public Works Commission Water Transmission Line 1992-2012 - \$300,000	0%	\$60,000	\$0	\$15,000	\$45,000	\$15,000
Ohio Water Development Authority Water Transmission Line 1663 1992-2011 - \$100,000	7.56%	29,280	0	7,641	21,639	8,218
Ohio Water Development Authority Sewer Plant Revisions 1664 1993-2012 - \$358,618	7.24%	128,333	0	25,194	103,139	27,018
Ohio Water Development Authority S. Center St. Water 2034 1996-2011 - \$95,421	6.51%	26,890	0	8,404	18,486	\$8,951
Ohio Water Development Authority Waste Water Plant 3452 2002-2022 - \$2,248,188	1.5%	1,642,773	0	106,286	1,536,487	107,886
Ohio Water Development Authority Elevated Water Tank 4074 2006-2015 - \$878,140	4.48%	693,629	0	79,720	613,908	83,332
<b>Total Business-Type Activities</b>		<b>\$2,580,905</b>	<b>\$0</b>	<b>\$242,245</b>	<b>\$2,338,659</b>	<b>\$250,405</b>

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

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

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

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

Village of LaGrange  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

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**Note 10 – Debt (continued)**

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

Year	G.O. Bonds		Engineering Agreement		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$3,000	\$176	\$32,500	\$0	\$36,563	\$0
2010	0	0	32,500	0	34,063	0
2011	0	0	32,500	0	23,516	0
2012	0	0	32,500	0	8,516	0
2013	0	0	32,500	0	8,516	0
2014-2018	0	0	130,000	0	24,260	0
2019-2023	0	0	0	0	0	0
Totals	\$3,000	\$176	\$292,500	\$0	\$135,434	\$0

Year	Land Loan		OWDA Loans	
	Principal	Interest	Principal	Interest
2009	\$40,287	\$5,287	\$235,405	\$59,162
2010	42,137	3,437	243,965	50,714
2011	44,071	1,501	237,866	41,850
2012	0	0	224,087	33,559
2013	0	0	214,022	26,421
2014-2018	0	0	756,800	60,741
2019-2023	0	0	381,514	10,077
Totals	\$126,495	\$10,225	\$2,293,659	\$282,524

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, 2008, were an overall debt margin of \$5,876,919 and an unvoted debt margin of \$3,077,259.

**Note 11 – Interfund Transfers**

During 2008, the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$92,137
Water Enterprise Fund	152,567
Total Transfers from the General Fund	<u>\$244,704</u>

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

**Note 12 – Contingent Liabilities**

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

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

**Note 13 – Joint Ventures**

As previously stated in Note 1, the Village and LaGrange Township share the cost of operation and development of the LaGrange Business Park. The purchase of property (38 acres) by the Village and LaGrange Township is being developed as the LaGrange Business Park. Costs for development are being shared equally. The 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, with the fifth member, designated as chairperson for one year, appointed, on an annual alternating basis, by the Village Council and the Township Trustees. The Board must receive approval from the legislative bodies of both the Village and the Township on any contracts, agreements, and other commitments for expenditure of property. The Village and the Township have an equal interest in the real and personal property of the Park and share equally in the cost and contributions toward the Park.

The Village also entered into an agreement with LaGrange Township for the purchase of land for a proposed Village/Township hall. The cost of the property was equally divided with the Village's share being \$145,000.

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

**Note 14 – Jointly Governed Organizations**

As previously stated in Note 1, the Village of LaGrange and LaGrange Township formed the LaGrange Community Improvement Corporation in March 2005 to act as agent for the Village and Township to develop and implement a plan for the subdivision, sale and lease of real estate jointly owned by the Village and the Township. The LaGrange Community Improvement Corporation was formed for the purposes of advancing, encouraging and promoting the light industrial economic, commercial distribution and research activities to provide opportunities for gainful employment and for civil development within the 38.96 acres of the property owned by the Village and Township.

The LaGrange Community Improvement Corporation is comprised of two Village members and two Township members.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of LaGrange, Lorain County, (the Village) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 28, 2010 wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

#### **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 did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

June 28, 2010





**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  
AUGUST 3, 2010**