



**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002**



**Auditor of State  
Betty Montgomery**



VILLAGE OF LAGRANGE  
LORAIN COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of LaGrange  
Lorain County  
355 South Center Street, P.O. Box 597  
LaGrange, Ohio 44050

To the Village Council:

We have audited the accompanying financial statements of the Village of LaGrange, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of LaGrange, Lorain County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 26, 2004

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$157,217	\$0	\$0	\$0	\$157,217
Municipal Income Taxes	400,169	205,714	0	0	605,883
Special Assessments	0	0	4,172	0	4,172
Intergovernmental Receipts	372,417	91,224	0	42,541	506,182
Charges for Services	78,289	0	0	0	78,289
Fines, Licenses, and Permits	56,289	2,543	0	0	58,832
Earnings on Investments	25,502	1,436	0	0	26,938
Miscellaneous	16,447	0	0	0	16,447
<b>Total Cash Receipts</b>	<b>1,106,330</b>	<b>300,917</b>	<b>4,172</b>	<b>42,541</b>	<b>1,453,960</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	188,397	130,683	0	0	319,080
Public Health Services	5,452	0	0	0	5,452
Leisure Time Activities	131,765	0	0	0	131,765
Community Environment	68,039	0	0	0	68,039
Basic Utility Services	102,523	0	0	0	102,523
Transportation	889	92,663	0	0	93,552
General Government	420,801	0	0	0	420,801
Debt Service:					
Principal Payments	0	0	644,955	0	644,955
Interest Payments	0	0	30,343	0	30,343
Capital Outlay	0	0	0	42,541	42,541
<b>Total Cash Disbursements</b>	<b>917,866</b>	<b>223,346</b>	<b>675,298</b>	<b>42,541</b>	<b>1,859,051</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>188,464</b>	<b>77,571</b>	<b>(671,126)</b>	<b>0</b>	<b>(405,091)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes	0	0	336,000	0	336,000
Transfers-In	0	0	331,723	0	331,723
Transfers-Out	(342,356)	0	0	0	(342,356)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(342,356)</b>	<b>0</b>	<b>667,723</b>	<b>0</b>	<b>325,367</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(153,892)	77,571	(3,403)	0	(79,724)
Fund Cash Balances, January 1, 2003	1,183,602	395,836	27,852	0	1,607,290
<b>Fund Cash Balances, December 31, 2003</b>	<b>\$1,029,710</b>	<b>\$473,407</b>	<b>\$24,449</b>	<b>\$0</b>	<b>\$1,527,566</b>
Reserves for Encumbrances, December 31, 2003	\$12,733	\$10,815	\$0	\$0	\$23,548

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

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND  
SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$813,367	\$0	\$813,367
Fines, Licenses, and Permits	0	30,381	30,381
Total Operating Cash Receipts	<u>813,367</u>	<u>30,381</u>	<u>843,748</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	113,524	0	113,524
Fringe Benefits	40,790	0	40,790
Contractual Services	345,574	222	345,796
Supplies and Materials	64,786	0	64,786
Other	8,125	63,651	71,776
Capital Outlay	132,255	0	132,255
Total Operating Cash Disbursements	<u>705,054</u>	<u>63,873</u>	<u>768,927</u>
Operating Income/(Loss)	<u>108,313</u>	<u>(33,492)</u>	<u>74,821</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	383	0	383
Loan Proceeds	87,110	0	87,110
Miscellaneous	1,309	0	1,309
Total Non-Operating Cash Receipts	<u>88,802</u>	<u>0</u>	<u>88,802</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	<u>(191,599)</u>	<u>0</u>	<u>(191,599)</u>
Total Non-Operating Cash Disbursements	<u>(191,599)</u>	<u>0</u>	<u>(191,599)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	5,516	(33,492)	(27,976)
Transfers-In	<u>10,633</u>	<u>0</u>	<u>10,633</u>
Net Receipts Over/(Under) Disbursements	16,149	(33,492)	(17,343)
Fund Cash Balances, January 1, 2003	<u>928,531</u>	<u>37,675</u>	<u>966,206</u>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u>\$944,680</u></b>	<b><u>\$4,183</u></b>	<b><u>\$948,863</u></b>
Reserve for Encumbrances, December 31, 2003	<u>\$90,717</u>	<u>\$0</u>	<u>\$90,717</u>

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

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$160,992	\$11,473	\$3,255	\$0	\$175,720
Municipal Income Taxes	393,629	196,390	0	0	590,019
Special Assessments	0	0	4,172	0	4,172
Intergovernmental Receipts	144,827	74,569	340	101,465	321,201
Charges for Services	82,006	0	0	0	82,006
Fines, Licenses, and Permits	37,750	1,030	0	0	38,780
Earnings on Investments	44,622	2,052	0	0	46,674
Miscellaneous	20,630	0	0	0	20,630
<b>Total Cash Receipts</b>	<b>884,456</b>	<b>285,514</b>	<b>7,767</b>	<b>101,465</b>	<b>1,279,202</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	163,113	152,533	0	0	315,646
Public Health Services	5,463	0	0	0	5,463
Leisure Time Activities	155,943	0	0	0	155,943
Community Environment	37,310	0	0	0	37,310
Basic Utility Services	99,911	0	0	0	99,911
Transportation	990	43,776	0	0	44,766
General Government	374,579	0	0	0	374,579
Debt Service:					
Principal Payments	0	0	66,662	0	66,662
Interest Payments	0	0	49,299	0	49,299
Capital Outlay	0	123,621	0	101,465	225,086
<b>Total Cash Disbursements</b>	<b>837,309</b>	<b>319,930</b>	<b>115,961</b>	<b>101,465</b>	<b>1,374,665</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>47,147</b>	<b>(34,416)</b>	<b>(108,194)</b>	<b>0</b>	<b>(95,463)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	3,351	0	0	0	3,351
Transfers-In	0	0	108,438	0	108,438
Transfers-Out	(128,406)	0	0	0	(128,406)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(125,055)</b>	<b>0</b>	<b>108,438</b>	<b>0</b>	<b>(16,617)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(77,908)	(34,416)	244	0	(112,080)
Fund Cash Balances, January 1, 2002	1,261,510	430,252	27,608	0	1,719,370
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$1,183,602</b>	<b>\$395,836</b>	<b>\$27,852</b>	<b>\$0</b>	<b>\$1,607,290</b>
Reserves for Encumbrances, December 31, 2002	\$66,248	\$1,678	\$0	\$0	\$67,926

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

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND  
SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$634,689	\$0	\$634,689
Miscellaneous	0	28,212	28,212
Total Operating Cash Receipts	<u>634,689</u>	<u>28,212</u>	<u>662,901</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	149,497	0	149,497
Fringe Benefits	2,055	0	2,055
Contractual Services	358,156	0	358,156
Supplies and Materials	47,075	0	47,075
Capital Outlay	116,100	0	116,100
Total Operating Cash Disbursements	<u>672,883</u>	<u>0</u>	<u>672,883</u>
Operating Income/(Loss)	<u>(38,194)</u>	<u>28,212</u>	<u>(9,982)</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	1,247	0	1,247
Loan Proceeds	1,474,603	0	1,474,603
Miscellaneous	9,936	30,107	40,043
Other Non-Operating Receipts	0	6,713	6,713
Total Non-Operating Cash Receipts	<u>1,485,786</u>	<u>36,820</u>	<u>1,522,606</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	(190,900)		(190,900)
Other Non-Operating Cash Disbursements	<u>(1,433,607)</u>	<u>(39,153)</u>	<u>(1,472,760)</u>
Total Non-Operating Cash Disbursements	<u>(1,624,507)</u>	<u>(39,153)</u>	<u>(1,663,660)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(176,915)	25,879	(151,036)
Transfers-In	19,968	28	19,996
Transfers-Out	<u>(28)</u>	<u>0</u>	<u>(28)</u>
Net Receipts Over/(Under) Disbursements	(156,975)	25,907	(131,068)
Fund Cash Balances, January 1, 2002	<u>1,085,506</u>	<u>11,768</u>	<u>1,097,274</u>
<b>Fund Cash Balances, December 31, 2002</b>	<b><u>\$928,531</u></b>	<b><u>\$37,675</u></b>	<b><u>\$966,206</u></b>
Reserve for Encumbrances, December 31, 2002	<u>\$85,450</u>	<u>\$0</u>	<u>\$85,450</u>

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

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of LaGrange, Lorain County, Ohio, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Police and Street Repair Income Tax Levy Fund* – This fund supports police services and street repairs and maintenance from the Village Income tax collections.

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

*General Obligation Fund* – This fund is used to accumulate resources for the payment of the Village's bonds and loans.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Fund:

*Union Street Reconstruction Improvement Fund* - This fund received Ohio Public Works Commission grant monies which were used to pay for major repairs of Union Street in the Village.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Waste Water Treatment Plant Improvement Fund* - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge.

**6. Fiduciary Funds (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

*Mayor's Court Fund* – This fund receives fees that are held pending distribution in accordance with statutory specifications or as directed by the Court.

VILLAGE OF LAGRANGE  
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Agency Funds) (Continued)**

*Commercial Permits Fund* – This fund receives money for commercial fees and distributes them to the State.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$135,282	\$141,667
Money market	\$98,166	\$60,224
Certificates of deposit	135,781	382,272
Total deposits	369,229	584,163
STAR Ohio	2,107,200	1,989,333
Total investments	2,107,200	1,989,333
Total deposits and investments	\$2,476,429	\$2,573,496

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,019,164	\$1,106,330	\$87,166
Special Revenue	275,975	300,917	24,942
Debt Service	671,644	671,895	251
Capital Projects	42,541	42,541	0
Enterprise	822,709	912,802	90,093
Agency	30,381	30,381	0
Total	\$2,862,414	\$3,064,866	\$202,452

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,081,452	\$1,272,955	\$808,497
Special Revenue	636,811	234,161	402,650
Debt Service	675,338	675,298	40
Capital Projects	42,541	42,541	0
Enterprise	1,565,241	987,370	577,871
Agency	68,056	63,873	4,183
Total	\$5,069,439	\$3,276,198	\$1,793,241

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$839,100	\$887,807	\$48,707
Special Revenue	266,100	285,514	19,414
Debt Service	115,563	116,205	642
Capital Projects	101,465	101,465	0
Enterprise	2,096,164	2,140,443	44,279
Agency	34,300	65,060	30,760
Total	\$3,452,692	\$3,596,494	\$143,802

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,706,794	\$1,031,963	\$674,831
Special Revenue	696,351	321,608	374,743
Debt Service	115,992	115,961	31
Capital Projects	101,465	101,465	0
Enterprise	2,998,662	2,382,868	615,794
Agency	43,217	39,153	4,064
Total	\$5,662,481	\$3,993,018	\$1,669,463

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX (Continued)**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,470,693	1.5 to 8.47%
General Obligation Bonds	18,000	5.875%
Special Assessment Bonds	61,867	7.75%
Ohio Public Works Commission Loan	193,828	
General Obligation Notes	377,253	4.29% to 4.54%
Mortgage Revenue Bonds	24,000	4.50%
Total	<u>\$3,145,641</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion and improvement project. The Ohio Public Works Commission (OPWC) non-interest bearing loans were for installation of a waterline. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements. The Village has also dedicated an operating levy in the General Fund to paying this debt.

The General Obligation Bonds are collateralized by the Village's taxing authority. The Special Assessment Bonds are paid through assessments levied against the benefiting properties.

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2003 is \$24,449.

The General Obligation Notes were issued in 2003 to refinance a general obligation bond and mortgage secured loan which were initially issued to buy park land. The debt is collateralized by the land.

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

	<u>OWDA Loan</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>
Year ending December 31:			
2004	\$200,983	\$4,058	\$20,261
2005	201,196	3,881	19,063
2006	201,424	3,705	17,864
2007	201,670	3,529	16,665
2008	187,561	3,353	0
Subsequent	2,034,385	3,179	0
Total	<u>\$3,027,219</u>	<u>\$21,705</u>	<u>\$73,853</u>

	<u>OPWC</u>	<u>General Obligation Notes</u>	<u>Mortgage Revenue Bonds</u>
Year ending December 31:			
2004	\$25,547	\$62,423	\$7,080
2005	25,547	62,423	6,810
2006	25,547	62,423	6,540
2007	25,547	62,423	6,270
2008	25,547	62,423	0
Subsequent	66,094	136,722	0
Total	<u>\$193,829</u>	<u>\$448,837</u>	<u>\$26,700</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2003. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF LAGRANGE  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**9. JOINT VENTURES**

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

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of LaGrange  
Lorain County  
355 South Center Street, P.O. Box 597  
LaGrange, Ohio 44050

We have audited the financial statements of the Village of LaGrange, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 26, 2004, wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Village's management in a separate letter dated July 26, 2004.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 26, 2004



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
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800-282-0370

Facsimile 614-466-4490

**VILLAGE OF LAGRANGE**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 24, 2004**