



**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2002**



**Auditor of State  
Betty Montgomery**



VILLAGE OF GRAND RIVER  
LAKE COUNTY

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Grand River  
Lake County  
205 Singer Avenue  
Grand River, Ohio 44045

To the Village Council:

We have audited the accompanying financial statements of the Village of Grand River, Lake County, Ohio, (the Village) as of and for the year ended 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. We believe that our audit provides a reasonable basis for our opinion.

As described 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 Grand River, Lake County, Ohio, as of 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 March 3, 2003 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 the audit committee, management, Village Council and other officials authorized to receive this report under § 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

March 3, 2003

**VILLAGE OF GRAND RIVER  
LAKE 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**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$365,310	\$0	\$0	\$0	\$365,310
State Shared Taxes and Permits	114,588	23,536	0	0	138,124
Intergovernmental Receipts	0	3,914	0	48,000	51,914
Charges for Services	152	0	0	11,001	11,153
Fines, Licenses, and Permits	39,402	0	0	0	39,402
Earnings on Investments	4,883	0	0	0	4,883
Miscellaneous	3,505	0	0	0	3,505
<b>Total Cash Receipts</b>	<b>527,840</b>	<b>27,450</b>	<b>0</b>	<b>59,001</b>	<b>614,291</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	385,712	3,914	0	0	389,626
Public Health Services	3,159	0	0	0	3,159
Leisure Time Activities	2,400	0	0	0	2,400
Community Environment	3,998	0	0	0	3,998
Transportation	24,751	34,492	0	0	59,243
General Government	128,640	0	0	0	128,640
Debt Service:					
Principal Payments	39,318	786	0	0	40,104
Interest Payments	2,165	0	0	0	2,165
Capital Outlay	0	0	0	20,500	20,500
Other Operating Expenses	2,987	0	0	0	2,987
<b>Total Cash Disbursements</b>	<b>593,130</b>	<b>39,192</b>	<b>0</b>	<b>20,500</b>	<b>652,822</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(65,290)</b>	<b>(11,742)</b>	<b>0</b>	<b>38,501</b>	<b>(38,531)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	0	0	40,000	40,000
Transfers-Out	(40,000)	0	0	0	(40,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(40,000)</b>	<b>0</b>	<b>0</b>	<b>40,000</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(105,290)</b>	<b>(11,742)</b>	<b>0</b>	<b>78,501</b>	<b>(38,531)</b>
<b>Fund Cash Balances, January 1, 2002</b>	<b>312,797</b>	<b>18,370</b>	<b>272</b>	<b>0</b>	<b>331,439</b>
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$207,507</b>	<b>\$6,628</b>	<b>\$272</b>	<b>\$78,501</b>	<b>\$292,908</b>
<b>Reserves for Encumbrances, December 31, 2002</b>	<b>\$14,230</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,230</b>

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

VILLAGE OF GRAND RIVER  
LAKE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Agency Fund</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$675
Total Operating Cash Receipts	<u>675</u>
Operating Income	<u>675</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>49,239</u>
Total Non-Operating Cash Receipts	<u>49,239</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>46,788</u>
Total Non-Operating Cash Disbursements	<u>46,788</u>
Net Receipts Over/(Under) Disbursements	3,126
Fund Cash Balances, January 1, 2002	<u>9,764</u>
<b>Fund Cash Balances, December 31, 2002</b>	<b><u><u>\$12,890</u></u></b>
Reserve for Encumbrances, December 31, 2002	<u><u>\$0</u></u>

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



**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Grand River, Lake County, (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 general governmental services, including road maintenance, police service, fire protection, and emergency medical services.

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

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 93 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2002. Financial information can be obtained by contacting Dan Diliberto, Board President, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

**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**

The Village invested in STAR Ohio during the audit period.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

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

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

**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 Fund:

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

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of bonds.

**4. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

**5. Fiduciary Fund (Agency Funds)**

These funds are used to account for assets held by the Village as an agent for individuals, private organizations, other governmental units and/or other funds. The Village had the following significant Agency Fund:

*Village Mayors Court Fund* - This fund holds deposits which consist of traffic violations within the Village limits. A portion of these revenues are paid to the Village General Fund and the remainder is remitted to the State of Ohio.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object 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 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 GRAND RIVER  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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:

	2002
Demand deposits	\$ 101,557
Total deposits	\$ 101,557
STAR Ohio	\$ 204,241
Total investments	\$ 204,241
Total deposits and investments	\$ 305,798

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2002 is as follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$894,947	\$527,838	(\$367,109)
Special Revenue	45,234	27,450	(17,784)
Debt Service	0	0	0
Capital Projects	99,001	99,001	0
Agency	49,914	49,914	0
Total	\$1,089,096	\$704,203	(\$384,893)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$672,871	\$647,360	\$25,511
Special Revenue	51,817	39,193	12,624
Debt Service	218	0	218
Capital Projects	50,000	20,500	29,500
Agency	57,203	46,788	10,415
Total	\$832,109	\$753,841	\$78,268

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property with 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 two 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 Central Collection Agency (CCA) 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note 1999 - Emergency Rescue Squad	\$14,630	6.10%
OPWC 1999 - River Street Improvement	12,976	0.00%
Note 2001 - Police Cruiser	9,308	0.90%
Total	<u>\$36,914</u>	

The Village issued a note for an emergency rescue squad purchased in December 1999. Key Bank holds the note in the amount of \$58,778. The note is being paid in monthly installments over 4 years. The 1999 Ohio Public Works Commission (OPWC) obligations is for the River Street Improvement. The Village is required to pay off the \$15,336, in semi-annual payments over 20 years. The Village issued a note for a police cruiser that was purchased May 2001. Ford Credit holds the note in the amount of \$20,786. The note is being paid monthly installments over 4 years.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

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

**6. DEBT (Continued)**

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

<u>Year ending December 31:</u>	<u>Rescue Squad Note</u>	<u>OPWC Obligation</u>	<u>Police Cruiser Note</u>
2003	\$15,252	\$786	\$6,440
2004	0	786	2,928
2005	0	786	0
2006	0	786	0
2007 - 2011	0	3,932	0
2012 - 2016	0	3,932	0
2017 - 2020	0	1,968	0
Total	<u>\$15,252</u>	<u>\$12,976</u>	<u>\$9,368</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles, Emergency Medical Services, Law Enforcement Liability; and
- Commercial Catastrophe Liability, and errors and omissions.

The Village provides health, dental and vision insurance to full-time employees through a private carrier.

**9. SUBSEQUENT EVENTS**

In 2003, the Village entered in a contract for the repair of Village waterlines in the amount of \$250,000. This will be financed through an Ohio Public Works Commission grant in the amount of \$200,000 and \$50,000 paid by the Village.



## **Auditor of State Betty Montgomery**

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

Village of Grand River  
Lake County  
205 Singer Avenue  
Grand River, Ohio 44045

To the Village Council:

We have audited the financial statements of the Village of Grand River, Lake County, Ohio, (the Village) as of and for the year ended December 31, 2002, and have issued our report thereon dated March 3, 2003. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated March 3, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order 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.

Village of Grand River  
Lake County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, 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

March 3, 2003





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Columbus, Ohio 43216-1140

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800-282-0370

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**VILLAGE OF GRAND RIVER**

**LAKE 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  
MAY 8, 2003**