



**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2004**



**Auditor of State  
Betty Montgomery**



VILLAGE OF GRAND RIVER  
LAKE COUNTY

TABLE OF CONTENTS

Title	Page
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements - Fiscal Year 2004:	
Statement of Net Assets - Modified Cash Basis	9
Statement of Activities - Modified Cash Basis	10
Fund Financial Statements Fiscal year 2004:	
Statement of Modified Cash Basis Assets and Fund Balance - Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	12
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	15
Statement of Fiduciary Net Assets - Modified Cash Basis	16
Notes to the Basic Financial Statements	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> Expenditures	23

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Grand River  
Lake County  
P.O. Box 216  
205 Singer Avenue  
Grand River, Ohio 44045-0216

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Grand River, Lake County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Grand River, Lake County, Ohio, as of December 31, 2004 and the respective changes in modified cash financial position and the respective budgetary for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2005, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 10, 2005

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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This discussion and analysis of the Village of Grand River, Lake County, Ohio, (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified 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 2004 are as follows:

Net assets of governmental activities decreased \$4,467, or 2.2 percent, a less significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Capital Projects Fund, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds except the General Fund.

The Village's general receipts are primarily property, income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 57 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2004 changed very little compared to 2003. The most significant increase in revenue was in Capital Projects fund in the form of an Ohio Public Works Grant.

**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 modified 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program 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 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 modified 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 nonfinancial 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 express the Village's activities as the following:

Governmental activities - The Village's services are reported here, including police, fire and streets. 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.

**Reporting the Government'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 two categories: governmental 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 nonmajor 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 and Capital Projects Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds – The fiduciary funds are used to account for resources held for the benefit of parties outside the Village. The fiduciary fund is not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.



**VILLAGE OF GRAND RIVER  
LAKE COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2004 compared to 2003 on a modified cash basis.

Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)  
**Net Assets**

	Governmenta Activities
	2004
<b>Assets</b>	
Cash and Cash Equivalents	\$191,368
Total Assets	\$191,368
 <b>Net Assets</b>	
Restricted for:	
Capital Outlay	63,344
Other Purposes	16,201
Unrestricted	111,823
Total Net Assets	\$191,368

As mentioned previously, net assets of governmental activities decreased \$4,467 or 2.2 percent during 2004. The primary reasons contributing to the decreases in cash balances was due to the Village repairing the waterlines costing in excess of \$281,801.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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

	Governmental Activities 2004
	2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$38,750
Operating Grants and Contributions	28,444
Capital Grants and Contributions	340,651
Total Program Receipts	407,845
General Receipts:	
Property Taxes	78,700
Income Taxes	347,043
Grants and Entitlements Not Restricted to Specific Programs	134,612
Interest	1,809
Miscellaneous	15,482
Total General Receipts	577,646
Total Receipts	985,491
Disbursements:	
General Government	142,827
Security of Persons and Property:	512,507
Public Health Services	3,389
Leisure Time Activities	2,530
Community Environment	3,575
Transportation	36,614
Capital Outlay	281,801
Principal Retirement	1,045
Interest and Fiscal Charges	5,670
Total Disbursements	989,958
Increase (Decrease) in Net Assets	(4,467)
Net Assets, January 1, 2004	195,835
Net Assets, December 31, 2004	\$191,368

Program receipts represent only 41 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, mayor's court fines and grants.

General receipts represent 59 percent of the Village's total receipts, and of this amount, over 43 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (23 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of Persons and Property are the costs of police and fire protection; Public Health Services are county health department fees; Leisure Time Activities are the costs of maintaining the Village community activities; and Transportation is the cost of maintaining the roads and sewers.

**Governmental Activities**

If you look at the Statement of Activities on page 10, 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 transportation and security of persons and property, which account for 52 and 28 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14 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 2004	Net Cost of Services 2004
	2004	2004
General Government	\$142,827	(\$142,827)
Security of Persons and Property	512,507	(400,283)
Public Health Services	3,389	8,908
Leisure Time Activities	2,530	(2,530)
Community Environment	3,575	(3,460)
Transportation	36,614	(8,170)
Capital Outlay	281,801	(27,036)
Principal Retirement	1,045	(1,045)
Interest and Fiscal Charges	5,670	(5,670)
Total Expenses	\$989,958	(\$582,113)

The dependence upon property and income tax receipts is apparent as over 43 percent of governmental activities are supported through these general receipts.

**The Government's Funds**

Total governmental funds had receipts of \$985,491 and disbursements of \$989,958. The greatest change within governmental funds occurred within the Capital Projects Fund. The fund balance of the Capital Projects Fund decreased \$14,739 as the result of new waterline construction.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**General Fund Budgeting Highlights**

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

During 2004, the Village amended its General Fund budget several times to reflect changing circumstances. There was no change between final and original budgeted receipts. This was due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was \$35,050.

Final disbursements were budgeted at \$619,832 while actual disbursements were \$604,736, which includes year end encumbrances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$637 for 2004.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village maintains a listing of its capital assets and infrastructure. These records are not required to be presented in the financial statements.

At December 31, 2004, the Village's outstanding principal and interest include \$5,170 for a rescue squad note and a \$11,790 Ohio Public Works Commission obligation for street improvements. For further information regarding the Village's debt, refer to Note 6 to the basic financial statements.

**Current Issues**

The challenge for the Village 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 and have very little industry to support the tax base. Our 2005 estimated disbursements have been reduced from 2004 to compensate for the minimal increase in estimated revenues.

**Contacting the Government'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 Rosie Hakola, Fiscal Officer, Village of Grand River, P.O. Box 216, 205 Singer Avenue, Grand River, Ohio 44045-0216.

**VILLAGE OF GRAND RIVER**  
**LAKE COUNTY**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2004*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$191,368
<i>Total Assets</i>	<u>\$191,368</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	63,344
Other Purposes	16,201
Unrestricted	<u>111,823</u>
<i>Total Net Assets</i>	<u>\$191,368</u>

See accompanying notes to the basic financial statements

**VILLAGE OF GRAND RIVER**  
**LAKE COUNTY**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2004*

	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	Total Governmental Activities
<b>Governmental Activities</b>					
General Government	\$142,827				(\$142,827)
Security of Persons and Property	512,507	\$26,338		\$85,886	(400,283)
Public Health Services	3,389	12,297			8,908
Leisure Time Activities	2,530				(2,530)
Community Environment	3,575	115			(3,460)
Transportation	36,614		\$28,444		(8,170)
Capital Outlay	281,801			254,765	(27,036)
Principal Retirement	1,045				(1,045)
Interest and Fiscal Charges	5,670				(5,670)
<i>Total Governmental Activities</i>	<u>\$989,958</u>	<u>\$38,750</u>	<u>\$28,444</u>	<u>\$340,651</u>	<u>(582,113)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
					78,700
					347,043
					134,612
					1,809
					<u>15,482</u>
					577,646
					(4,467)
					<u>195,835</u>
					<u>\$191,368</u>

See accompanying notes to the basic financial statements

**VILLAGE OF GRAND RIVER**  
**LAKE COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$111,823	\$63,344	\$16,201	\$191,368
<i>Total Assets</i>	<u>\$111,823</u>	<u>\$63,344</u>	<u>\$16,201</u>	<u>\$191,368</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$4,230	\$0	\$0	\$4,230
Unreserved:				
Undesignated, Reported in:				
General Fund	107,593			107,593
Special Revenue Funds			16,201	16,201
Capital Projects Funds		63,344		63,344
<i>Total Fund Balances</i>	<u>\$111,823</u>	<u>\$63,344</u>	<u>\$16,201</u>	<u>\$191,368</u>

See accompanying notes to the basic financial statements

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2004*

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<b>Total Governmental Fund Balances</b>	<u>\$191,368</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$191,368</u></u>

See accompanying notes to the basic financial statements



**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004*

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Municipal Income Taxes	\$347,043			\$347,043
Property and Other Local Taxes	78,700			78,700
Charges for Services	115			115
Fines, Licenses and Permits	26,338	\$12,297		38,635
Intergovernmental	134,612	254,765	\$114,330	503,707
Interest	1,809			1,809
Miscellaneous	15,482			15,482
<i>Total Receipts</i>	<u>604,099</u>	<u>267,062</u>	<u>114,330</u>	<u>985,491</u>
<b>Disbursements</b>				
Current:				
General Government	142,827			142,827
Security of Persons and Property	416,722		95,785	512,507
Public Health Services	3,389			3,389
Leisure Time Activities	2,530			2,530
Community Environment	3,575			3,575
Transportation	16,309		20,305	36,614
Capital Outlay		281,801		281,801
Debt Service:				
Principal Retirement	5,670		786	6,456
Interest	259			259
<i>Total Disbursements</i>	<u>591,281</u>	<u>281,801</u>	<u>116,876</u>	<u>989,958</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,818</u>	<u>(14,739)</u>	<u>(2,546)</u>	<u>(4,467)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			9,225	9,225
Transfers Out	(9,225)			(9,225)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,225)</u>	<u>0</u>	<u>9,225</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	3,593	(14,739)	6,679	(4,467)
<i>Fund Balances Beginning of Year</i>	<u>108,230</u>	<u>78,083</u>	<u>9,522</u>	<u>195,835</u>
<i>Fund Balances End of Year</i>	<u>\$111,823</u>	<u>\$63,344</u>	<u>\$16,201</u>	<u>\$191,368</u>

See accompanying notes to the basic financial statements

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2004*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>\$191,368</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$191,368</u>

See accompanying notes to the basic financial statements

**VILLAGE OF GRAND RIVER**  
**LAKE COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$326,961	326,961	\$347,043	\$20,082
Property and Other Local Taxes	74,146	74,146	78,700	4,554
Charges for Services	108	108	115	7
Fines, Licenses and Permits	24,814	24,814	26,338	1,524
Intergovernmental	126,823	126,823	134,612	7,789
Interest	1,704	1,704	1,809	105
Miscellaneous	14,492	14,492	15,482	990
<i>Total receipts</i>	<u>569,048</u>	<u>569,048</u>	<u>604,099</u>	<u>35,051</u>
<b>Disbursements</b>				
Current:				
General Government	172,255	158,344	147,058	11,286
Security of Persons and Property	437,244	409,594	416,722	(7,128)
Public Health Services	3,860	3,460	3,389	71
Leisure Time Activities	3,200	2,780	2,530	250
Community Environment	4,500	4,500	3,575	925
Transportation	29,000	26,000	16,308	9,692
Debt Service:				
Principal Retirement	5,670	5,670	5,670	0
Interest and Fiscal Charges	259	259	259	0
<i>Total Disbursements</i>	<u>655,988</u>	<u>610,607</u>	<u>595,511</u>	<u>15,096</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(86,940)</u>	<u>(41,559)</u>	<u>8,588</u>	<u>50,147</u>
<b>Other Financing (Uses)</b>				
Transfers Out	(9,225)	(9,225)	(9,225)	0
<i>Total Other Financing (Uses)</i>	<u>(9,225)</u>	<u>(9,225)</u>	<u>(9,225)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(96,165)</u>	<u>(50,784)</u>	<u>(637)</u>	<u>50,147</u>
<i>Fund Balance Beginning of Year</i>	108,230	108,230	108,230	0
Prior Year Encumbrances Appropriated	4,230	4,230	4,230	0
<i>Fund Balance End of Year</i>	<u>\$16,295</u>	<u>\$61,676</u>	<u>\$111,823</u>	<u>\$50,147</u>

See accompanying notes to the basic financial statements

**VILLAGE OF GRAND RIVER**  
**LAKE COUNTY**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,069</u>
<i>Total Assets</i>	<u><u>\$21,069</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$21,069</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 1. DESCRIPTION OF THE ENTITY**

The Village of Grand River, Lake 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 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 over 100 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 2004. Financial information can be obtained by contacting NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

These financial statements follow a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State prescribes.

**B. Fund Accounting**

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Village's funds are classified as either governmental or fiduciary.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

***Governmental Funds***

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Village's major governmental funds:

**General Fund** – This 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.

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

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governmental entities and are therefore not available to support the Village's own programs. The Village has no trust funds. Agency funds are custodial in nature, where the Village deposits and pays cash as directed by another entity or individual. The Village's agency fund accounts for funds held for the Mayor's Court, Village Hall Rental, Street Opening, and Political Signs.

**C. Basis of Presentation**

The Village's basic financial statements consist of government-wide statements, which include 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 Village, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Village at December 31, 2004. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Village.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

***Fund Financial Statements*** The Village segregates transactions related to certain Village functions or activities in separate funds in order 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type.

**D. Cash and Investments**

The Village invested in STAR Ohio during the audit period.

**E. Inventory**

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**F. Property, Plant, and Equipment**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The accompanying financial statements do not report these items as assets.

**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 Consortium's modified cash basis of accounting.

**H. Net Assets**

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

**I. 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.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Budgetary Process (Continued)**

**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.

**NOTE 3. 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:

	2004
Demand deposits	<u>\$ 136,902</u>
Total deposits	<u>\$ 136,902</u>
STAR Ohio	<u>\$ 75,535</u>
Total investments	<u>\$ 75,535</u>
Total deposits and investments	<u><u>\$ 212,437</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Although the Village followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

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



**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 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 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.

**NOTE 5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 2 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.

**NOTE 6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note 2003 - Emergency Rescue Squad	\$5,000	3.40%
OPWC 1999 - River Street Improvement	11,403	0.00%
Total	<u>\$16,403</u>	

The Village issued a note for an emergency rescue squad purchased in June 2003. Key Bank holds the note in the amount of \$10,590. The note is being paid in semi-annual installments over 4 years. The 1999 Ohio Public Works Commission (OPWC) obligations are for the River Street Improvement. The Village is required to pay off the \$15,336, in semi-annual payments over 20 years.

**VILLAGE OF GRAND RIVER  
LAKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**NOTE 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>
2005	\$3,475	\$786
2006	1,695	786
2007	0	786
2008	0	786
2009	0	786
2010-2014	0	3,930
2015-2019	0	3,930
Total	<u>\$5,170</u>	<u>\$11,790</u>

**NOTE 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 of Ohio (OPERS). 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 2004, 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 2004. The Village has paid all contributions required through December 31, 2004.

**NOTE 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.



**Auditor of State  
Betty Montgomery**

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

Village of Grand River  
Lake County  
P.O. Box 216  
205 Singer Avenue  
Grand River, Ohio 44045-0216

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Grand River, Lake County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**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*. In a separate letter to the Village's management dated June 10, 2005, we reported matters related to non-compliance we deemed immaterial.

Village of Grand River  
Lake County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Governmental Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management and the Village Council. It is not intended for 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

June 10, 2005



**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**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  
JULY 7, 2005**