



**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF GRAND RAPIDS
WOOD COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Grand Rapids
Wood County
17460 Sycamore Road, P.O. Box 309
Grand Rapids, Ohio 43522-0309

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

May 19, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Grand Rapids
Wood County
17460 Sycamore Road, P.O. Box 309
Grand Rapids, Ohio 43522-0309

To the Village Council:

We have audited the accompanying financial statements of Village of Grand Rapids, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Grand Rapids, Wood County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, in accordance with the requirements of Governmental Accounting Standards Board statement number 34, the Village's income tax fund has been reclassified.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2008, 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.



Mary Taylor, CPA
Auditor of State

May 19, 2008

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$33,979	\$27,968			\$61,947
Municipal Income Tax		226,723			226,723
Intergovernmental	83,059	59,791			142,850
Special Assessments	7,775	14,545			22,320
Charges for Services	4,820		\$308	\$7,951	13,079
Fines, Licenses and Permits	3,174				3,174
Earnings on Investments	39,199	2,075			41,274
Miscellaneous	22,596				22,596
	194,602	331,102	308	7,951	533,963
Cash Disbursements:					
Current:					
Security of Persons and Property	75,812	13,112			88,924
Public Health Services	867				867
Leisure Time Activities	57,376				57,376
Community Environment	1,938				1,938
Basic Utility Service	6,181				6,181
Transportation	5,000	38,797			43,797
General Government	93,855	34,191			128,046
Debt Service:					
Redemption of Principal			60,135		60,135
Interest and Fiscal Charges			13,169		13,169
Capital Outlay	31,518	8,300		23,639	63,457
	272,547	94,400	73,304	23,639	463,890
Total Receipts Over/(Under) Disbursements	(77,945)	236,702	(72,996)	(15,688)	70,073
Other Financing Receipts / (Disbursements):					
Transfers-In	144,399		38,400	48,133	230,932
Transfers-Out		(192,532)			(192,532)
Other Financing Sources	1,632				1,632
	146,031	(192,532)	38,400	48,133	40,032
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	68,086	44,170	(34,596)	32,445	110,105
Fund Cash Balances, January 1	289,716	110,591	326,063	202,300	928,670
Fund Cash Balances, December 31	\$357,802	\$154,761	\$291,467	\$234,745	\$1,038,775

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$483,332
Operating Cash Disbursements:	
Personal Services	85,449
Employee Fringe Benefits	33,724
Contractual Services	27,717
Supplies and Materials	214,084
Other	1,160
Total Operating Cash Disbursements	362,134
Operating Income	121,198
Non-Operating Cash Disbursements:	
Capital Outlay	2,300
Excess of Receipts Over Disbursements Before Interfund Transfers	118,898
Transfers-Out	(38,400)
Net Receipts Over Disbursements	80,498
Fund Cash Balances, January 1	320,278
Fund Cash Balances, December 31	\$400,776
Reserve for Encumbrances, December 31	\$10,000

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$32,683	\$26,896			\$59,579
Municipal Income Tax		217,471			217,471
Intergovernmental	50,625	58,816			109,441
Special Assessments	9,622	14,040			23,662
Charges for Services	4,556		\$7,951	\$54,668	67,175
Fines, Licenses and Permits	4,665				4,665
Earnings on Investments	28,622	1,961			30,583
Miscellaneous	9,041				9,041
Total Cash Receipts	<u>139,814</u>	<u>319,184</u>	<u>7,951</u>	<u>54,668</u>	<u>521,617</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	69,965	11,740			81,705
Public Health Services	838				838
Leisure Time Activities	28,098				28,098
Community Environment	1,948				1,948
Basic Utility Service	7,471				7,471
Transportation	1,125	39,583			40,708
General Government	104,530	28,508			133,038
Debt Service:					
Redemption of Principal			58,955		58,955
Interest and Fiscal Charges			14,349		14,349
Capital Outlay	6,890	42,630		55,216	104,736
Total Cash Disbursements	<u>220,865</u>	<u>122,461</u>	<u>73,304</u>	<u>55,216</u>	<u>471,846</u>
Total Receipts Over/(Under) Disbursements	<u>(81,051)</u>	<u>196,723</u>	<u>(65,353)</u>	<u>(548)</u>	<u>49,771</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	143,222		49,000	47,739	239,961
Transfers-Out	(10,600)	(190,961)			(201,561)
Other Financing Sources	2,100				2,100
Total Other Financing Receipts / (Disbursements)	<u>134,722</u>	<u>(190,961)</u>	<u>49,000</u>	<u>47,739</u>	<u>40,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	53,671	5,762	(16,353)	47,191	90,271
Fund Cash Balances, January 1	236,045	104,829	342,416	155,109	838,399
Fund Cash Balances, December 31	<u><u>\$289,716</u></u>	<u><u>\$110,591</u></u>	<u><u>\$326,063</u></u>	<u><u>\$202,300</u></u>	<u><u>\$928,670</u></u>
Reserve for Encumbrances, December 31	<u>\$731</u>	<u>\$400</u>		<u>\$2,046</u>	<u>\$3,177</u>

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$450,412
Operating Cash Disbursements:	
Personal Services	81,263
Employee Fringe Benefits	33,291
Contractual Services	6,965
Supplies and Materials	228,275
Other	960
Total Operating Cash Disbursements	350,754
Operating Income	99,658
Transfers-Out	(38,400)
Net Receipts Over Disbursements	61,258
Fund Cash Balances, January 1	259,020
Fund Cash Balances, December 31	\$320,278
Reserve for Encumbrances, December 31	\$12,377

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Grand Rapids, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts with the Wood County Sheriff's department to provide security of persons and property.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 9 to the financial statements provide additional information for this entity. This organization is a Public Entity Risk Pool which is an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 governments.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and federal agency securities at cost. The money market mutual funds are recorded at share values the mutual fund reports.

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

Income Tax Fund – This fund receives income tax receipts for general operations of the Village.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund.

Water Debt Fund – This fund receives transfers in from the Water Fund to pay the OWDA debt for water line installation.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Water Capital Improvement Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment 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. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. RESTATEMENT OF FUNDS

Pursuant to the provisions of Governmental Accounting Standards Board Statement 34, the Village reclassified its Income Tax fund from an Expendable Trust Fund to a Special Revenue Fund for 2006. The Village also had realized gains in 2005 from investments that were not recorded on the Village financial statements. The Village also reclassified Homestead and Rollback Taxes misclassified in prior years. The effect on the fund balances is as follows:

	General	Expendable Trust	Special Revenue
Fund Balance as reported at December 31, 2005	\$202,279	\$2,000	\$96,126
Reclassification of Fund Balance		(\$2,000)	2,000
Unrecorded Investment Activity	40,469		
Reclassification of Homestead and Rollback	(6,703)		\$6,703
Restated Fund Balances at January 1, 2006	<u>\$236,045</u>	<u></u>	<u>\$104,829</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$956,551	\$767,904
Certificates of deposit	53,000	
Total deposits	<u>1,009,551</u>	<u>767,904</u>
Federal Home Lone Bank	130,000	130,000
Federal National Mortgage Administration	200,000	200,000
Federal Home Lone Mortgage Company	100,000	150,000
Money Market		1,044
Total investments	<u>430,000</u>	<u>481,044</u>
Total deposits and investments	<u>\$1,439,551</u>	<u>\$1,248,948</u>

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

Investments: The UBS Financial Services Inc. (UBS) holds the Village's Federal Agency Securities Money Market and cash amounts in the name of the Village.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$286,976	\$340,633	\$53,657
Special Revenue	315,257	331,102	15,845
Debt Service	50,000	38,708	(11,292)
Capital Projects	95,000	56,084	(38,916)
Enterprise	443,080	483,332	40,252
Total	\$1,190,313	\$1,249,859	\$59,546

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$580,231	\$272,547	\$307,684
Special Revenue	404,100	286,932	117,168
Debt Service	74,000	73,304	696
Capital Projects	284,046	23,639	260,407
Enterprise	702,443	412,834	289,609
Total	\$2,044,820	\$1,069,256	\$975,564

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$286,326	\$285,136	(\$1,190)
Special Revenue	314,315	319,184	4,869
Debt Service	50,000	56,951	6,951
Capital Projects	67,000	102,407	35,407
Enterprise	433,080	450,412	17,332
Total	\$1,150,721	\$1,214,090	\$63,369

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$486,050	\$232,196	\$253,854
Special Revenue	398,834	313,822	85,012
Debt Service	74,000	73,304	696
Capital Projects	210,000	57,262	152,738
Enterprise	500,859	401,531	99,328
Total	\$1,669,743	\$1,078,115	\$591,628

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

The Central Collection Agency (CCA) administers and collects income taxes for the Village. Amounts collected are remitted monthly to the Village. Collections fees paid to CCA amounted to \$13,930 in 2007 and \$11,965 in 2006.

7. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$598,342</u>	2%

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project loan received in 1992. Loan # 2737 (1992) is to be repaid in annual installments of \$73,304 including interest, with the last payment due 01/01/17. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT – (CONTINUED)

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

Year ending December 31:	<u>OWDA Loan</u>
2008	\$36,652
2009	73,304
2010	73,304
2011	73,304
2012	73,304
2013 - 2017	<u>329,868</u>
Total	<u><u>\$659,736</u></u>

8. RETIREMENT SYSTEM

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

9. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. RISK MANAGEMENT – (CONTINUED)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2006 and 2005 (the latest information available):.

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



Mary Taylor, CPA

Auditor of State

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

Village of Grand Rapids
Wood County
17460 Sycamore Road, P.O. Box 309
Grand Rapids, Ohio 43522-0309

To the Village Council:

We have audited the financial statements of Village of Grand Rapids, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 19, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Village reclassified its Income Tax Fund. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above are also material weakness.

We noted certain matters that we reported to the Village's management in a separate letter dated May 19, 2008.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 19, 2008.

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



Mary Taylor, CPA
Auditor of State

May 19, 2008

VILLAGE OF GRAND RAPIDS
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2007-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

During 2007 and 2006, homestead receipts for the Street Construction, Maintenance and Repair Levy fund were posted to the General fund for 2007 and 2006 in the amounts of \$4,328 and \$2,968, respectively.

Prior to January 1, 2006, the Village accumulated \$40,469 in realized gains from an investment account that was not posted to the financial records and included as part of the reconciliation.

Below is the effect that these adjustments had on the respective funds:

	General	Street Construction, Maintenance and Repair Levy
2006 Homestead receipts	(\$2,968)	\$4,328
2007 Homestead receipts	(4,328)	2,968
Realized gain on investments	40,469	
Total	<u>\$33,173</u>	<u>\$7,296</u>

The Village Clerk-Treasurer posted these adjustments to the Village records which are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Clerk-Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Clerk-Treasurer and Council review the monthly receipt reports to ensure receipts are properly posted.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

FINDING NUMBER 2007-002
(Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to the purchase commitment for 22 percent of the expenditure transactions tested in 2007 and 2006. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. In addition this could result in the understatement of encumbrances in the financial and budgetary presentation.

To improve controls over disbursements, it is recommended that the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

FINDING NUMBER 2007-003

Monitoring Controls by Council and Financial Reporting/Material Weakness

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Clerk-Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Clerk-Treasurers performed most accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies were noted in the reporting of the Village's financial activity:

- Finding for Adjustments were required to the General and Street Construction, Maintenance and Repair Levy funds as disclosed in Finding Number 2007-001. These adjustments are reflected in the accompanying financial statements.
- As a result of the audit procedures performed, errors were noted in the posting of revenues to the financial statements that required twenty audit adjustments ranging in the amounts of \$125 to \$54,668 during the audit period.
- Budgeted receipts and appropriations posted to the Village's accounting system did not always agree to the amended certificate of estimated resources or to the appropriation resolution.

These weaknesses allowed posting errors in receipts to occur and go undetected. In addition, inaccurate budgetary information could hinder Council's ability to monitor the Village's financial condition when reviewing budgetary reports.

To strengthen the monitoring over the Village's financial condition and ensure that the financial statements are complete and accurate we recommend, the Village should adopt policies and procedures, including a review of the financial records and a final review of the statements by the Clerk-Treasurer and Village Council.

Officials Response:

We did not receive a response from Officials to the findings reported above

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code § 5705.41(D)(1), Encumbrance of expenditures	No	Re-issued as finding 2007-002
2005-002	Ohio Revised Code § 5705.41(B) Expenditures exceeding appropriations	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF GRAND RAPIDS

WOOD 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
JUNE 19, 2008**