



**Auditor of State
Betty Montgomery**

VILLAGE OF GRAND RAPIDS
WOOD COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005, 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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

November 8, 2006

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**Auditor of State
Betty Montgomery**

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, 2005 and 2004. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004.

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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 November 8, 2006, 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.



Betty Montgomery
Auditor of State

November 8, 2006

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$30,717	\$25,627			\$212,034	\$268,378
Special Assessments	10,317	13,910				24,227
Intergovernmental Receipts	74,595	50,676				125,271
Charges for Services			\$23,124			23,124
Fines, Licenses, and Permits	7,096					7,096
Earnings on Investments	7,307					7,307
Miscellaneous	15,665					15,665
Total Cash Receipts	145,697	90,213	23,124		212,034	471,068
Cash Disbursements:						
Current:						
Security of Persons and Property	64,525	12,697				77,222
Public Health Services	862					862
Leisure Time Activities	38,187					38,187
Community Environment	1,991					1,991
Basic Utility Services	10,202					10,202
Transportation	2,444	34,428				36,872
General Government	100,225				28,538	128,763
Debt Service:						
Principal Payments	78,807		57,799			136,606
Interest Payments	151		15,505			15,656
Capital Outlay	14,809	17,929		\$40,369		73,107
Total Cash Disbursements	312,203	65,054	73,304	40,369	28,538	519,468
Total Cash Receipts Over/(Under) Cash Disbursement:	(166,506)	25,159	(50,180)	(40,369)	183,496	(48,400)
Other Financing Receipts and (Disbursements):						
Transfers-In	137,997		45,707	45,999		229,703
Transfers-Out	(7,307)				(183,996)	(191,303)
Total Other Financing Receipts/(Disbursements)	130,690		45,707	45,999	(183,996)	38,400
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(35,816)	25,159	(4,473)	5,630	(500)	(10,000)
Fund Cash Balances, January 1	238,095	70,967	346,889	149,479	2,500	807,930
Fund Cash Balances, December 31	\$202,279	\$96,126	\$342,416	\$155,109	\$2,000	\$797,930
Reserves for Encumbrances, December 31	\$110					\$110

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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$444,343
Operating Cash Disbursements:	
Personal Services	81,969
Fringe Benefits	26,358
Contractual Services	
Supplies and Materials	219,133
Other	1,120
Total Operating Cash Disbursements	328,580
Operating Income	115,763
Transfers-Out	(38,400)
Net Cash Receipts Over Cash Disbursements	77,363
Fund Cash Balances, January 1	181,657
Fund Cash Balances, December 31	\$259,020
Reserve for Encumbrances, December 31	\$10,526

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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$33,212	\$27,511			\$209,348	\$270,071
Special Assessments	10,082	14,722	\$27,604			52,408
Intergovernmental Receipts	71,270	46,011				117,281
Charges for Services			32,586			32,586
Fines, Licenses, and Permits	8,633					8,633
Earnings on Investments	2,497					2,497
Miscellaneous	20,748					20,748
Total Cash Receipts	146,442	88,244	60,190		209,348	504,224
Cash Disbursements:						
Current:						
Security of Persons and Property	62,620	12,704				75,324
Public Health Services	920					920
Leisure Time Activities	18,735					18,735
Community Environment	1,724					1,724
Basic Utility Services	5,818					5,818
Transportation	1,431	31,793				33,224
General Government	109,580				28,448	138,028
Debt Service:						
Principal Payments	44,647		56,666			101,313
Interest Payments	3,354		16,638			19,992
Capital Outlay	4,084	28,321		\$39,739		72,144
Total Cash Disbursements	252,913	72,818	73,304	39,739	28,448	467,222
Total Cash Receipts Over/(Under) Cash Disbursement	(106,471)	15,426	(13,114)	(39,739)	180,900	37,002
Other Financing Receipts and (Disbursements):						
Transfers-In	134,236		44,497	44,745		223,478
Transfers-Out	(2,497)		(64,717)		(178,981)	(246,195)
Total Other Financing Receipts/(Disbursements)	131,739		(20,220)	44,745	(178,981)	(22,717)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	25,268	15,426	(33,334)	5,006	1,919	14,285
Fund Cash Balances, January 1	212,827	55,541	380,223	144,473	581	793,645
Fund Cash Balances, December 31	\$238,095	\$70,967	\$346,889	\$149,479	\$2,500	\$807,930
Reserves for Encumbrances, December 31	\$607	\$607		\$4,362		\$5,576

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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$363,672
Operating Cash Disbursements:	
Personal Services	77,008
Fringe Benefits	21,009
Contractual Services	
Supplies and Materials	230,748
Other	840
Total Operating Cash Disbursements	329,605
Operating Income	34,067
Transfers-In	64,717
Transfers-Out	(42,000)
Net Cash Receipts Over Cash Disbursements	56,784
Fund Cash Balances, January 1	124,873
Fund Cash Balances, December 31	\$181,657
Reserve for Encumbrances, December 31	\$9,576

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, 2005 AND 2004**

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values U.S. Treasury Notes at cost.

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.

2. Special Revenue Funds

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Permissive Motor Vehicle License Tax Fund - This fund receives permissive tax revenues maintenance of Village Streets.

3. Debt Service Fund

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 Service Fund - This fund is used to accumulate resources for the payment of OWDA water loan.

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 funds:

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

Water Capital Improvement - 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.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Expendable Trust fund:

Income Tax Fund - This fund receives proceeds of the Village income tax.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

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, 2005 AND 2004
(Continued)**

2. 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:

	2005	2004
Demand deposits	\$621,108	\$489,587
U.S. Treasury Notes	435,842	500,000
Total deposits and investments	\$1,056,950	\$989,587

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

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,964	\$283,694	\$20,730
Special Revenue	86,207	90,213	4,006
Debt Service	50,000	68,831	18,831
Capital Projects	65,000	45,999	(19,001)
Enterprise	423,080	444,343	21,263
Fiduciary	225,000	212,034	(12,966)
Total	\$1,112,251	\$1,145,114	\$32,863

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$399,797	\$319,620	\$80,177
Special Revenue	148,841	65,054	83,787
Debt Service	76,000	73,304	2,696
Capital Projects	220,000	40,369	179,631
Enterprise	476,456	377,506	98,950
Fiduciary	226,500	212,534	13,966
Total	\$1,547,594	\$1,088,387	\$459,207

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$252,939	\$280,678	\$27,739
Special Revenue	82,904	88,244	5,340
Debt Service	94,500	104,687	10,187
Capital Projects	76,000	44,745	(31,255)
Enterprise	368,080	428,389	60,309
Fiduciary	225,000	209,348	(15,652)
Total	\$1,099,423	\$1,156,091	\$56,668

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$405,748	\$256,017	\$149,731
Special Revenue	125,723	73,425	52,298
Debt Service	107,084	138,021	(30,937)
Capital Projects	230,000	44,101	185,899
Enterprise	425,000	381,181	43,819
Fiduciary	227,075	207,429	19,646
Total	\$1,520,630	\$1,100,174	\$420,456

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Debt Service Fund by \$ 32,356 for the year ended December 31, 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

The Central Collection Agency (CCA) administers and collects income taxes for the Village. Amounts collected are remitted monthly to the Village. Collection fees paid to CCA amounted to \$10,305 in 2005 and \$12,480 in 2004

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$717,432	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.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan
2006	\$36,652
2007	73,304
2008	73,304
2009	73,304
2010	73,304
2011 - 2015	366,520
2016 - 2017	109,956
Total	\$806,344

7. 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 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 pays 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.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

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

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**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 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, 2005 and 2004, and have issued our report thereon dated November 8, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to express our opinion 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. In a separate letter to the Village's management dated November 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated November 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 8, 2006

VILLAGE OF GRAND RAPIDS
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall void and no warrant shall be issued in payment of any amount due thereon.

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 fund prior to the purchase commitment for 27 percent of the expenditures tested in 2005 and 2004. In addition, the Village had \$10,526 and \$13,815 in outstanding purchase commitments at December 31, 2005 and 2004, respectively that were not certified until 2006 and 2005. The accompanying financial statements have been adjusted to include these amounts as outstanding encumbrances at year end in the Capital Projects and Enterprise Funds.

**FINDING NUMBER 2005-001
(Continued)**

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure 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 Council.

To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Fiscal Officer. We also recommend the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer and recorded against appropriations

FINDING NUMBER 2005-002

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditure unless it has been appropriated as provided in such section.

Sewer Debt Fund expenditures exceeded appropriations in the amount of \$32,356 at December 31, 2004. Management was advised that the failure to have adequate appropriations in place at the time expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary

Officials' Response

Per Administrator Chad Hoffman, the Village is already in process of correcting these citations for future audits.



**Auditor of State
Betty Montgomery**

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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
DECEMBER 12, 2006**