



**Auditor of State
Betty Montgomery**

VILLAGE OF GRAND RIVER
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Grand River
Lake County
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 Village of Grand River, Lake County, Ohio, (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 9, 2004

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**VILLAGE OF GRAND RIVER
LAKE COUNTY**

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

	<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 Tax and Other Local Taxes	\$431,165	\$0	\$0	\$0	\$431,165
State Shared Taxes and Permits	109,255	25,823	0	0	135,078
Intergovernmental Receipts	0	5,018	0	167,462	172,480
Charges for Services	226	0	0	0	226
Proceeds from the Sale of Assets	3,575	0	0	0	3,575
Fines, Licenses, and Permits	34,024	0	0	14,477	48,501
Earnings on Investments	2,828	0	0	0	2,828
Miscellaneous	951	0	0	0	951
	<u>582,024</u>	<u>30,841</u>	<u>0</u>	<u>181,939</u>	<u>794,804</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	452,398	4,344	0	0	456,742
Public Health Services	4,043	0	0	0	4,043
Leisure Time Activities	2,375	0	0	0	2,375
Community Environment	6,658	0	0	0	6,658
Transportation	27,340	23,089	0	0	50,429
General Government	164,825	0	0	182,357	347,182
Debt Service:					
Principal Payments	23,228	786	0	0	24,014
Interest Payments	434	0	0	0	434
Capital Outlay	0	0	0	0	0
Other Operating Expenses	0	0	0	0	0
	<u>681,301</u>	<u>28,219</u>	<u>0</u>	<u>182,357</u>	<u>891,877</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>(99,277)</u>	<u>2,622</u>	<u>0</u>	<u>(418)</u>	<u>(97,073)</u>
Other Financing Receipts and (Disbursements):					
Advances-In	12,000	12,000	0	0	24,000
Advances-Out	(12,000)	(12,000)	0	0	(24,000)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(99,277)	2,622	0	(418)	(97,073)
Fund Cash Balances, January 1, 2003	207,507	6,628	272	78,501	292,908
Fund Cash Balances, December 31, 2003	<u>\$108,230</u>	<u>\$9,250</u>	<u>\$272</u>	<u>\$78,083</u>	<u>\$195,835</u>
Reserves for Encumbrances, December 31, 2003	<u>\$4,230</u>	<u>\$51,024</u>	<u>\$0</u>	<u>\$48,025</u>	<u>\$103,279</u>

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

VILLAGE OF GRAND RIVER
LAKE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Agency Funds</u>
Operating Cash Receipts:	
Charges for Services	\$925
Total Operating Cash Receipts	925
Operating Income/(Loss)	925
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	35,189
Total Non-Operating Cash Receipts	35,189
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	38,843
Total Non-Operating Cash Disbursements	38,843
Net Receipts Over/(Under) Disbursements	(2,729)
Fund Cash Balances, January 1, 2003	12,890
Fund Cash Balances, December 31, 2003	<u>\$10,161</u>
Reserve for Encumbrances, December 31, 2003	<u>\$0</u>

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

**VILLAGE OF GRAND RIVER
LAKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 of approximately 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 2003. Financial information can be obtained by contacting Dan DiLibrito, Board President, 1615 Clarke Avenue, Cleveland, Ohio 44109.

B. Basis of Accounting

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

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

C. Cash and Investments

The Village invested in STAR Ohio during the audit period.

**VILLAGE OF GRAND RIVER
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

EMS Grant Fund - This fund receives grant money for various supplies and equipment related to the fire department EMS squad.

3. Capital Project Fund

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

4. Fiduciary Funds (Agency Funds)

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

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF GRAND RIVER
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003
Demand deposits	\$ 74,772
Total deposits	\$ 74,772
STAR Ohio	\$ 131,224
Total investments	\$ 131,224
Total deposits and investments	\$ 205,996

Deposits: Deposits are insured by the Federal Depository 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 FINANCIAL STATEMENTS
DECEMBER 31, 2003
(CONTINUED)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$521,623	\$582,024	\$60,401
Special Revenue	129,189	30,841	(98,348)
Debt Service	0	0	0
Capital Projects	221,800	181,939	(39,861)
Agency	46,850	36,114	(10,736)
Total	\$919,462	\$830,918	(\$88,544)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$690,283	\$685,531	\$4,752
Special Revenue	84,129	79,243	4,886
Debt Service	272	0	272
Capital Projects	249,500	230,382	19,118
Agency	59,275	38,843	20,432
Total	\$1,083,459	\$1,033,999	\$49,460

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.

**VILLAGE OF GRAND RIVER
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(CONTINUED)**

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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note 2003 - Emergency Rescue Squad	\$8,333	3.40%
OPWC 1999 - River Street Improvement	12,190	0.00%
Note 2001 - Police Cruiser	<u>2,337</u>	0.90%
Total	<u><u>\$22,860</u></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. The Village issued a note for a police cruiser that was purchased May 2001. Ford Credit holds the note in the amount of \$20,786. The note is being paid monthly installments over 4 years.

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

<u>Year ending December 31:</u>	<u>Rescue Squad Note</u>	<u>OPWC Obligation</u>	<u>Police Cruiser Note</u>
2004	\$3,588	\$786	\$2,337
2005	3,475	786	0
2006	1,695	786	0
2007	0	786	0
2008	0	786	0
2009 - 2013	0	3,933	0
2014 - 2018	0	3,933	0
2019	0	394	0
Total	<u><u>\$8,758</u></u>	<u><u>\$12,190</u></u>	<u><u>\$2,337</u></u>

**VILLAGE OF GRAND RIVER
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(CONTINUED)**

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 2003, 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 2003. The Village has paid all contributions required through December 31, 2003.

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 COMPLIANCE AND ON INTERNAL CONTROL
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 Village of Grand River, Lake County, Ohio, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 9, 2004.

Internal Control Over Financial Reporting

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

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

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

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

Betty Montgomery
Auditor of State

March 9, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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
APRIL 20, 2004**