



Dave Yost • Auditor of State

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

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Dave Yost • 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.

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Dave Yost
Auditor of State

August 1, 2012

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Dave Yost • 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 the Village of Grand Rapids, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Grand Rapids, Wood County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Grand Rapids adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2012, 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.

A handwritten signature in black ink, appearing to read "Dave Yost", with a stylized, flowing script.

Dave Yost
Auditor of State

August 1, 2012

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$32,728	\$27,292			\$60,020
Municipal Income Tax	849	228,738			229,587
Intergovernmental	67,965	54,269			122,234
Special Assessments	7,720	14,673			22,393
Charges for Services		1,087		\$2,868	3,955
Fines, Licenses and Permits	16,243				16,243
Earnings on Investments	44,543	4,614			49,157
Miscellaneous	35,056	240			35,296
<i>Total Cash Receipts</i>	<u>205,104</u>	<u>330,913</u>		<u>2,868</u>	<u>538,885</u>
Cash Disbursements					
Current:					
Security of Persons and Property	82,161	15,387			97,548
Public Health Services	1,282				1,282
Leisure Time Activities	44,030				44,030
Community Environment	2,211				2,211
Basic Utility Services	13,137				13,137
Transportation	1,723	45,014			46,737
General Government	108,039	43,981			152,020
Capital Outlay	9,145	300		64,326	73,771
Debt Service:					
Principal Retirement			\$65,092		65,092
Interest and Fiscal Charges			8,212		8,212
<i>Total Cash Disbursements</i>	<u>261,728</u>	<u>104,682</u>	<u>73,304</u>	<u>64,326</u>	<u>504,040</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(56,624)</u>	<u>226,231</u>	<u>(73,304)</u>	<u>(61,458)</u>	<u>34,845</u>
Other Financing Receipts (Disbursements)					
Transfers In	128,185		38,400	42,695	209,280
Transfers Out	(14,784)	(170,880)			(185,664)
Other Financing Sources	516	90			606
Other Financing Uses	(23,104)	(3,090)	(1,517)	(2,108)	(29,819)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>90,813</u>	<u>(173,880)</u>	<u>36,883</u>	<u>40,587</u>	<u>(5,597)</u>
<i>Net Change in Fund Cash Balances</i>	<u>34,189</u>	<u>52,351</u>	<u>(36,421)</u>	<u>(20,871)</u>	<u>29,248</u>
<i>Fund Cash Balances, January 1</i>	<u>425,087</u>	<u>244,990</u>	<u>166,330</u>	<u>313,580</u>	<u>1,149,987</u>
Fund Cash Balances, December 31					
Restricted	10,000	281,802	129,909	292,709	714,420
Committed		15,019			15,019
Assigned	4,000	520			4,520
Unassigned	445,276				445,276
<i>Fund Cash Balances, December 31</i>	<u>\$459,276</u>	<u>\$297,341</u>	<u>\$129,909</u>	<u>\$292,709</u>	<u>\$1,179,235</u>

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$505,862	\$67,396	\$573,258
Miscellaneous	286		286
<i>Total Operating Cash Receipts</i>	<u>506,148</u>	<u>67,396</u>	<u>573,544</u>
Operating Cash Disbursements			
Personal Services	102,646		102,646
Employee Fringe Benefits	37,099		37,099
Contractual Services		66,015	66,015
Supplies and Materials	236,658		236,658
Other	1,120		1,120
<i>Total Operating Cash Disbursements</i>	<u>377,523</u>	<u>66,015</u>	<u>443,538</u>
<i>Operating Income</i>	<u>128,625</u>	<u>1,381</u>	<u>130,006</u>
Non-Operating Receipts (Disbursements)			
Other Financing Sources	130		130
Other Financing Uses	(3,817)		(3,817)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(3,687)</u>		<u>(3,687)</u>
<i>Income Before Transfers</i>	124,938	1,381	126,319
Transfers In	16,165		16,165
Transfers Out	(38,400)	(\$1,381)	(39,781)
<i>Net Change in Fund Cash Balances</i>	102,703		102,703
<i>Fund Cash Balances, January 1</i>	<u>568,163</u>		<u>568,163</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$670,866</u></u>		<u><u>\$670,866</u></u>

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Local Taxes	\$33,152	\$26,668			\$59,820
Municipal Income Tax	400	216,736			217,136
Intergovernmental	105,692	54,654			160,346
Special Assessments	8,284	14,437			22,721
Charges for Services		306		\$11,306	11,612
Fines, Licenses and Permits	12,180				12,180
Earnings on Investments	48,594	5,567			54,161
Miscellaneous	20,483	23			20,506
<i>Total Cash Receipts</i>	<u>228,785</u>	<u>318,391</u>		<u>11,306</u>	<u>558,482</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	81,040	15,789			96,829
Public Health Services	1,071				1,071
Leisure Time Activities	34,377				34,377
Community Environment	2,191				2,191
Basic Utility Service	9,408				9,408
Transportation	1,359	43,506			44,865
General Government	114,799	42,894			157,693
Debt Service:					
Redemption of Principal			\$63,815		63,815
Interest and Fiscal Charges			9,489		9,489
Capital Outlay	7,877	25,895		27,869	61,641
<i>Total Cash Disbursements</i>	<u>252,122</u>	<u>128,084</u>	<u>73,304</u>	<u>27,869</u>	<u>481,379</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,337)</u>	<u>190,307</u>	<u>(73,304)</u>	<u>(16,563)</u>	<u>77,103</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	129,535		38,400	43,165	211,100
Transfers-Out		(172,700)			(172,700)
Other Financing Sources	1,497				1,497
Other Financing Uses	(13,789)	(2,959)	(2,825)	(2,985)	(22,558)
<i>Total Other Financing Receipts / (Disbursements)</i>	<u>117,243</u>	<u>(175,659)</u>	<u>35,575</u>	<u>40,180</u>	<u>17,339</u>
<i>Net Change in Fund Cash Balances</i>	<u>93,906</u>	<u>14,648</u>	<u>(37,729)</u>	<u>23,617</u>	<u>94,442</u>
<i>Fund Cash Balances, January 1</i>	<u>331,181</u>	<u>230,342</u>	<u>204,059</u>	<u>289,963</u>	<u>1,055,545</u>
<i>Fund Cash Balances, December 31</i>	<u>\$425,087</u>	<u>\$244,990</u>	<u>\$166,330</u>	<u>\$313,580</u>	<u>\$1,149,987</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$3,266</u>	<u>\$2,555</u>			<u>\$5,821</u>

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

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$471,048	\$61,707	\$532,755
Operating Cash Disbursements:			
Personal Services	99,375		99,375
Employee Fringe Benefits	35,984		35,984
Contractual Services		60,437	60,437
Supplies and Materials	185,366		185,366
Claims			0
Other	918		918
<i>Total Operating Cash Disbursements</i>	321,643	60,437	382,080
<i>Operating Income</i>	149,405	1,270	150,675
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	(4,292)		(4,292)
<i>Income Before Transfers</i>	145,113	1,270	146,383
Transfers-In	1,270		1,270
Transfers-Out	(38,400)	(\$1,270)	(39,670)
<i>Net Change in Fund Cash Balances</i>	107,983		107,983
<i>Fund Cash Balances, January 1</i>	460,180		460,180
<i>Fund Cash Balances, December 31</i>	<u>\$568,163</u>		<u>\$568,163</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$12,203</u>		<u>\$12,203</u>

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, 2010 AND 2011**

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, Ohio (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 Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is 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 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. Deposits 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 federal agency securities at cost. Money market mutual funds are recorded at share values the mutual funds report.

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, 2011 AND 2010
(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:

Sewer Capital Improvement Fund – This fund receives transfers in from the Income Tax Fund to cover costs 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.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for sewer revenue collected for Northwestern Water and Sewer District.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For 2011, the Village has implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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, 2011 AND 2010
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	<u>\$745,502</u>	<u>\$643,578</u>
Investments:		
Federal Home Loan Bank	152,850	152,850
Federal Home Loan Corporation		425,531
Money Market	526,749	496,191
Federal National Mortgage Administration	<u>425,000</u>	
Total investments	<u>1,104,599</u>	<u>1,074,572</u>
Total deposits and investments	<u><u>\$1,850,101</u></u>	<u><u>\$1,718,150</u></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.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$333,289	\$333,805	\$516
Special Revenue	318,200	331,003	12,803
Debt Service	39,900	38,400	(1,500)
Capital Projects	58,400	45,563	(12,837)
Enterprise	452,734	522,443	69,709
Total	<u><u>\$1,202,523</u></u>	<u><u>\$1,271,214</u></u>	<u><u>\$68,691</u></u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$470,721	\$299,616	\$171,105
Special Revenue	450,905	278,652	172,253
Debt Service	81,400	74,821	6,579
Capital Projects	317,000	66,434	250,566
Enterprise	809,793	419,740	390,053
Total	<u><u>\$2,129,819</u></u>	<u><u>\$1,139,263</u></u>	<u><u>\$990,556</u></u>

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$343,374	\$359,817	\$16,443
Special Revenue	337,339	318,391	(18,948)
Debt Service	44,000	38,400	(5,600)
Capital Projects	66,000	54,471	(11,529)
Enterprise	486,080	472,318	(13,762)
Total	<u>\$1,276,793</u>	<u>\$1,243,397</u>	<u>(\$33,396)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$437,300	\$269,177	\$168,123
Special Revenue	449,654	306,298	143,356
Debt Service	81,500	76,129	5,371
Capital Projects	327,000	30,854	296,146
Enterprise	746,713	376,538	370,175
Total	<u>\$2,042,167</u>	<u>\$1,058,996</u>	<u>\$983,171</u>

4. 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.

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.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Local Income Tax (Continued)

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.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$345,534</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 January 1, 2017. 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, is scheduled as follows:

Year ending December 31:	<u>OWDA Loan</u>
2012	<u>\$73,304</u>
2013	73,304
2014	73,304
2015	73,310
2016	<u>73,504</u>
Total	<u>\$366,726</u>

7. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. Risk Management

Prior to 2009, the Village belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

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Dave Yost • 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 the Village of Grand Rapids, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 1, 2012, 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 and in 2011 the Village adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted 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(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-002 and 2011-003.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 1, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink, appearing to read "Dave Yost", with a stylized, cursive script.

Dave Yost
Auditor of State

August 1, 2012

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness

Monitoring Controls by Council and Financial Reporting

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 Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer performs most accounting functions. It is therefore important that Council monitor financial activity closely. In addition to the fund adjustments disclosed in Finding Number 2011-002 the following deficiencies were noted in the reporting of the Village's financial activity:

- In 2011 and 2010 four posting errors to revenues from \$8 to \$23,077 required reclassification to various revenue accounts.

The accompanying financial statements, budgetary disclosures and the Village's accounting records were adjusted to reflect the proper amounts.

These weaknesses allowed reporting errors in receipts provided to Council. To strengthen the monitoring over the Village's financial condition and ensure 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 Fiscal Officer, Village Council and the Finance Committee.

Officials' Response:

We will work to correct this.

FINDING NUMBER 2011-002

Noncompliance Citation and Material Weakness

Ohio Revised Code, § 5705.10(C), states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. **Ohio Revised Code, § 5705.10(D)**, states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. **Ohio Revised Code, § 135.21**, requires interest earned to be apportioned among certain funds, unless otherwise expressly required by law.

On December 10, 2007, **the Village of Grand Rapids**, through the written consent of its Mayor, adopted **Resolution No. 2007-9, Section 1**, which states as follows: "That the monies received in the Income Tax Fund shall be transferred to the General Fund (3/4 split) and the Sewer Capital Improvement Fund (1/4 split)."

FINDING NUMBER 2011-002
(Continued)

The following transactions were found to be posted to the incorrect funds:

- Gas Tax revenue to be paid into the Street Construction, Maintenance and Repair fund was posted to the State Highway fund in 2011 and 2010 in the amounts of \$2,450 and \$860, respectively.
- Income tax receipts that were collected in 2011 and 2010 in the amount of \$1,475 and \$8,840, respectively, were not correctly allocated to the Sewer Capital fund in accordance with Resolution 2007-09, resulting in allocations of \$1,475 in 2011 and \$8,840 in 2010 to the General fund that should have been allocated to the Sewer Capital fund.
- Interest earnings in 2011 and 2010 to be paid into the General fund were posted to the Debt Service fund, the Sewer and Water Capital Projects fund, the Water fund, the Sewer fund and the Deposit fund in the amounts ranging from \$41 to \$1,293 in 2011 and \$232 to \$4,221 in 2010.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Finance Committee, to identify and correct errors and omissions.

The accompanying financial statement, budgetary disclosure and the Village's accounting records were adjusted to reflect these amounts in the proper funds.

Officials' Response:

The interest amounts in question were the Change in Market Values and not thought of as interest, therefore posted in the percentages that the funds were made up of. Since we are no longer balancing to the Market Value, but the Cash basis values, this will no longer be an issue. We will work to correct this.

FINDING NUMBER 2011-003

Noncompliance Citation

Ohio Revised Code, §135.14(B), states the treasurer or governing board may invest or deposit any part or all of the interim moneys. The following classifications of obligations shall be eligible for such investment or deposit:

- (1) United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States. Nothing in the classification of eligible obligations set forth in division (B)(1) of this section or in the classifications of eligible obligations set forth in divisions (B)(2) to (7) of this section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible obligations.
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
- (3) Interim deposits in the eligible institutions applying for interim monies as provided in Ohio Rev. Code §135.08.

FINDING NUMBER 2011-003
(Continued)

- (4) Bonds and other obligations of this state;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (B)(1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code;
- (6) The Ohio subdivision's fund as provided in section 135.45 of the Revised Code;

The Village has a money market fund that is invested mostly in banks from around the world, asset backed securities and commercial paper.

We recommend the Village invest in only the securities that are allowed by law.

Officials' Response:

The Administrator will work to correct this.

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**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC 5705.10(C) – Proper posting of receipts	No	Repeated as Finding Number 2011-002 in this report.
2009-002	ORC 5705.41 (B) – Expenditures exceeded appropriations	Yes	
2009-003	Monitoring Controls by Council	No	Repeated as Finding Number 2011-001 in this report.

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Dave Yost • 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
AUGUST 14, 2012