



Dave Yost • Auditor of State

VILLAGE OF GRAND RAPIDS
WOOD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Grand Rapids, Wood County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Grand Rapids, Wood County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 5, 2014

**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, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$29,575	\$31,970			\$61,545
Municipal Income Tax	956	230,176			231,132
Intergovernmental	48,926	51,777		\$25,409	126,112
Special Assessments	6,446	16,548			22,994
Charges for Services		189		20,378	20,567
Fines, Licenses and Permits	10,173				10,173
Earnings on Investments	8,801	1,439			10,240
Miscellaneous	13,530				13,530
<i>Total Cash Receipts</i>	<u>118,407</u>	<u>332,099</u>		<u>45,787</u>	<u>496,293</u>
Cash Disbursements					
Current:					
Security of Persons and Property	83,308	15,070			98,378
Public Health Services	811				811
Leisure Time Activities	70,013				70,013
Community Environment	2,916				2,916
Basic Utility Services	9,909				9,909
Transportation	1,452	35,129			36,581
General Government	111,592	41,502			153,094
Capital Outlay	1,120	11,050		947	13,117
Debt Service:					
Principal Retirement			\$67,721		67,721
Interest and Fiscal Charges			5,582		5,582
<i>Total Cash Disbursements</i>	<u>281,121</u>	<u>102,751</u>	<u>73,303</u>	<u>947</u>	<u>458,122</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(162,714)</u>	<u>229,348</u>	<u>(73,303)</u>	<u>44,840</u>	<u>38,171</u>
Other Financing Receipts (Disbursements)					
Transfers In	142,113	811	49,400	47,371	239,695
Transfers Out	(10,594)	(189,484)			(200,078)
Other Financing Sources	287				287
Other Financing Uses	(10,000)	(5,100)	(1)		(15,101)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>121,806</u>	<u>(193,773)</u>	<u>49,399</u>	<u>47,371</u>	<u>24,803</u>
<i>Net Change in Fund Cash Balances</i>	<u>(40,908)</u>	<u>35,575</u>	<u>(23,904)</u>	<u>92,211</u>	<u>62,974</u>
<i>Fund Cash Balances, January 1</i>	<u>520,040</u>	<u>327,589</u>	<u>91,805</u>	<u>248,408</u>	<u>1,187,842</u>
Fund Cash Balances, December 31					
Restricted		363,164	67,901	320,241	751,306
Committed				20,378	20,378
Assigned	302,125				302,125
Unassigned	177,007				177,007
<i>Fund Cash Balances, December 31</i>	<u>\$479,132</u>	<u>\$363,164</u>	<u>\$67,901</u>	<u>\$340,619</u>	<u>\$1,250,816</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, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$523,593	\$65,045	\$588,638
Miscellaneous	2,130		2,131
<i>Total Operating Cash Receipts</i>	<u>525,723</u>	<u>65,045</u>	<u>590,769</u>
Operating Cash Disbursements			
Personal Services	106,497		106,497
Employee Fringe Benefits	27,865		27,865
Contractual Services		63,663	63,663
Supplies and Materials	209,825		209,825
Other	920		920
<i>Total Operating Cash Disbursements</i>	<u>345,107</u>	<u>63,663</u>	<u>408,770</u>
<i>Operating Income</i>	<u>180,616</u>	<u>1,382</u>	<u>181,999</u>
Non-Operating Disbursements			
Other Financing Uses	(798)		(797)
<i>Income before Transfers</i>	179,818	1,382	181,202
Transfers In	9,783		9,783
Transfers Out	(49,400)		(49,400)
<i>Net Change in Fund Cash Balances</i>	140,201	1,382	141,585
<i>Fund Cash Balances, January 1</i>	<u>721,570</u>	<u>2,744</u>	<u>724,314</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$861,771</u></u>	<u><u>\$4,126</u></u>	<u><u>\$865,899</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, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$29,117	\$31,706			\$60,823
Municipal Income Tax	197	250,894			251,091
Intergovernmental	43,959	51,813			95,772
Special Assessments	7,673	16,138			23,811
Charges for Services	2,246	49		\$24,114	26,409
Fines, Licenses and Permits	12,648				12,648
Earnings on Investments	8,722	1,186			9,908
Miscellaneous	31,777	270			32,047
<i>Total Cash Receipts</i>	<u>136,339</u>	<u>352,056</u>		<u>24,114</u>	<u>512,509</u>
Cash Disbursements					
Current:					
Security of Persons and Property	83,103	15,282			98,385
Public Health Services	805				805
Leisure Time Activities	25,930				25,930
Community Environment	3,063				3,063
Basic Utility Services	12,923				12,923
Transportation	3,425	30,951			34,376
General Government	111,787	44,796			156,583
Capital Outlay		10,916		123,810	134,726
Debt Service:					
Principal Retirement			\$66,393		66,393
Interest and Fiscal Charges			6,911		6,911
<i>Total Cash Disbursements</i>	<u>241,036</u>	<u>101,945</u>	<u>73,304</u>	<u>123,810</u>	<u>540,095</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(104,697)</u>	<u>250,111</u>	<u>(73,304)</u>	<u>(99,696)</u>	<u>(27,586)</u>
Other Financing Receipts (Disbursements)					
Transfers In	165,838		35,200	55,395	256,433
Transfers Out		(221,117)			(221,117)
Other Financing Sources	6				6
Other Financing Uses	(650)	(241)			(891)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>165,194</u>	<u>(221,358)</u>	<u>35,200</u>	<u>55,395</u>	<u>34,431</u>
<i>Net Change in Fund Cash Balances</i>	60,497	28,753	(38,104)	(44,301)	6,845
<i>Fund Cash Balances, January 1</i>	<u>459,543</u>	<u>298,836</u>	<u>129,909</u>	<u>292,709</u>	<u>1,180,997</u>
Fund Cash Balances, December 31					
Restricted		327,069	91,805	224,294	643,168
Committed				24,114	24,114
Assigned	233,091	520			233,611
Unassigned	286,949				286,949
<i>Fund Cash Balances, December 31</i>	<u>\$520,040</u>	<u>\$327,589</u>	<u>\$91,805</u>	<u>\$248,408</u>	<u>\$1,187,842</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, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$534,800	\$67,121	\$601,921
Miscellaneous	493		493
<i>Total Operating Cash Receipts</i>	<u>535,293</u>	<u>67,121</u>	<u>602,414</u>
Operating Cash Disbursements			
Personal Services	101,662		101,662
Employee Fringe Benefits	28,418		28,418
Contractual Services		63,913	63,913
Supplies and Materials	325,341		325,341
Other	760		760
<i>Total Operating Cash Disbursements</i>	<u>456,181</u>	<u>63,913</u>	<u>520,094</u>
<i>Operating Income</i>	<u>79,112</u>	<u>3,208</u>	<u>82,320</u>
Non-Operating Receipts			
Other Financing Sources	4,505		4,505
<i>Income before Transfers</i>	83,617	3,208	86,825
Transfers In	348		348
Transfers Out	(35,200)	(464)	(35,664)
<i>Net Change in Fund Cash Balances</i>	48,765	2,744	51,509
<i>Fund Cash Balances, January 1</i>	<u>672,805</u>		<u>672,805</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$721,570</u></u>	<u><u>\$2,744</u></u>	<u><u>\$724,314</u></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, 2013 AND 2012**

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 Plan Risk Management Inc. (OPRM), a public entity risk pool. OPRM provides property and casualty coverage for its members. Note 8 to the financial statements provides additional information for this entity.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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,

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

organization or other government. The Village's agency fund accounts for sewer revenue collected for Northwestern Water and Sewer District.

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. 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 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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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.

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.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

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:

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

	2013	2012
Demand deposits	\$1,249,613	\$809,592
U.S. Treasury Notes	499,993	
Money Market	117,291	649,708
Federal Home Loan Mortgage Corporation Notes	249,818	
Federal Government Bonds		452,856
Total investments	867,102	1,102,564
Total deposits and investments	\$2,116,715	\$1,912,156

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 accounts in the name of the Village.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$236,009	\$260,807	\$24,798
Special Revenue	391,266	332,910	(58,356)
Debt Service	39,400	49,400	10,000
Capital Projects	51,000	93,158	42,158
Enterprise	504,717	535,506	30,789
Total	\$1,222,392	\$1,271,781	\$49,389

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$474,760	\$301,715	\$173,045
Special Revenue	543,394	297,335	246,059
Debt Service	74,600	73,304	1,296
Capital Projects	263,000	947	262,053
Enterprise	831,303	395,502	435,801
Total	\$2,187,057	\$1,068,803	\$1,118,254

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$351,925	\$302,183	(\$49,742)
Special Revenue	365,700	352,056	(13,644)
Debt Service	52,900	35,200	(17,700)
Capital Projects	104,000	79,509	(24,491)
Enterprise	497,634	540,146	42,512
Total	<u>\$1,372,159</u>	<u>\$1,309,094</u>	<u>(\$63,065)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$474,798	\$247,346	\$227,452
Special Revenue	464,387	329,734	134,653
Debt Service	76,500	73,304	3,196
Capital Projects	328,708	123,810	204,898
Enterprise	819,090	520,421	298,669
Total	<u>\$2,163,483</u>	<u>\$1,294,615</u>	<u>\$868,868</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Income Tax Fund by \$41,013 for the year ended December 31, 2012.

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.

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.

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.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt

Debt outstanding at December 31, 2013 was as follows:

Ohio Water Development Authority Loan	\$211,419	2%
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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:	OWDA Loan
2014	\$73,304
2015	73,310
2016	73,504
Total	\$220,118

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 2013 and 2012, 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, 2013.

8. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 equity at December 31, 2012 and 2013.

	2012	2013
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	\$6,413,188	\$5,805,909

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

9. Transfers

During 2013, the following transfers were made:

<i>Transfers Out</i>			
<i>Transfers In</i>	<u>Governmental Funds</u>		
	<u>General</u>	<u>Income Tax</u>	<u>Water Operating</u>
	General	\$142,113	
	Income Tax	\$811	
	Debt Service		\$49,400
	Sewer Capital Projects	47,371	
<u>Proprietary Funds</u>			
	Sewer Operating	9,783	

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

During 2012, the following transfers were made:

		<i>Transfers Out</i>		
<i>Transfers In</i>	<u>Governmental Funds</u>			
		<u>Income Tax</u>	<u>Water Operating</u>	<u>Agency</u>
	General	\$165,722		\$116
	Debt Service		\$35,200	
	Sewer Capital Projects	55,395		
	<u>Proprietary Funds</u>			
	Sewer Operating			348

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to general fund and water capital improvement fund from the income tax fund collecting the receipts and from the water fund to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

10. Compliance

Contrary to Ohio Law certain revenues were posted to incorrect funds in 2013 and 2012.

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Grand Rapids, Wood County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-003 and 2013-004.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 5, 2014

VILLAGE OF GRAND RAPIDS
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness

GASB 54 Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Restricted fund balance classification includes amounts with constraints placed on the use of resources that are externally imposed by creditors (such as through debt covenants).

Committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of Council. Furthermore, if a capital projects fund has a transfer as its sole inflow and the governing body has identified a special purpose by ordinance or resolution, then the fund balance is committed.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general as it is the only fund with a positive unassigned fund balance.

The Debt Service fund balance of \$67,901 in 2013 was classified as Assigned and \$91,805 in 2012 as Committed instead of Restricted.

The Capital Projects fund was partially funded by action of Council, whereby committing these funds to capital project expenditures. The fund balances of the Capital Projects partially funded by Council were \$20,378 in 2013 and \$24,114 in 2012 and were classified as restricted instead of committed.

The 2014 and 2013 annual appropriation measures for the General fund were adopted on November 25, 2013 and December 10, 2012. Total appropriations for both measures exceeded estimated receipts as follows:

	<u>2014</u>	<u>2013</u>
Estimated Receipts	\$249,825	\$236,009
Appropriations	<u>551,950</u>	<u>469,100</u>
Deficit	<u>\$302,125</u>	<u>\$233,091</u>

The amounts of the deficit noted above should have been recognized as assigned for subsequent year's appropriations instead of being classified as unassigned. Also, the Flower Fund in the Special Revenue Fund was assigned by Council. The Fund balance of \$520 was classified as restricted in 2012.

Adjustments were recorded to the 2013 and 2012 financial statements to change the above differences in fund balance classification.

In order to ensure the Village's fund balances are reported in accordance with GASB 54, we recommend the Village review and follow Auditor of State Bulletin 2011-004.

FINDING NUMBER 2013-002

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 2013-003 the following deficiencies were noted in the reporting of the Village's financial activity:

- A reimbursement from Ohio Department of Transportation in the amount of \$25,409 was classified as miscellaneous revenue and the General Fund in 2013 instead of intergovernmental revenue in the Water Capital Improvement Fund.
- Homestead and Rollback in the amount of \$3,716 in 2013 and \$3,274 in 2012 was posted to the General Fund instead of the Street Levy Fund.
- \$5,203 in 2013 and \$5,080 in 2012 was posted to intergovernmental revenue in the Permissive Fund instead of tax revenue.
- Gas Tax and Auto Registration in the amount of \$484 in 2013 and \$8,117 in 2012 was posted to tax revenue instead of intergovernmental revenue.
- In 2012, accrued interest totaling \$10,014 was posted to the General Fund. Also the change in market value was posted to all the fund types in amounts ranging from \$4,870 to \$766.
- In 2013 and 2012, Tap-In Fees in the amounts of \$3,893 and \$1,912 respectively, were posted in the Debt Service Fund instead of the Water Capital Improvements Fund.

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.

FINDING NUMBER 2013-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code, § 5705.10(C) provides that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. **Ohio Rev. § 5705.10(D)** further provides that 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.

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).”

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 2013 and 2012 in the amounts of \$1,708 and \$211, respectively.
- In 2013, Auto Registration in the amount of \$6,258 was posted to the General Fund and \$523 was posted to Street Levy Fund instead of splitting between the Street Construction Maintenance and Repair Fund and the State Highway Fund.
- Income tax receipts that were collected in 2013 in the amount of \$203, were not correctly allocated to the Sewer Capital Fund in accordance with Resolution 2007-09, resulting in allocations to the General fund that should have been allocated to the Sewer Capital fund.

The accompanying financial statements, budgetary disclosure and the Village’s accounting records were adjusted to reflect this amount in the proper funds.

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.

FINDING NUMBER 2013-004

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2012 at the fund level as follows:

Fund	Fund Name	Appropriation Authority	Total Expenditures	Variance
2071	Income Tax Fund	\$225,000	\$266,013	\$ (41,013)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and result in deficit spending in the Income Tax Fund.

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

Officials’ Response:

We will work to correct these findings.

**VILLAGE OF GRAND RAPIDS
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Material weakness due to lack of monitoring controls by Council over financial reporting.	No	Not corrected and repeated as Finding Number 2013-002 in this report.
2011-002	Ohio Rev. Code §5705.10(C) due to improper proper posting of receipts to funds.	No	Not corrected and repeated as Finding Number 2013-003 in this report.
2011-003	Ohio Rev. Code §135.14(B) for investing in an improper money market fund.	Yes	



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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 2, 2014**