



**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF GROVER HILL  
PAULDING COUNTY

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# Mary Taylor, CPA

Auditor of State

Village of Grover Hill  
Paulding County  
301 West Walnut Street  
Grover Hill, Ohio 45849-9559

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 29, 2008

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Grover Hill  
Paulding County  
301 West Walnut Street  
Grover Hill, Ohio 45849-9559

To the Village Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position and 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 of the Village of Grover Hill, Paulding County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

July 29, 2008



**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$15,396	\$9,140		\$24,536
Intergovernmental	23,964	49,279	\$53,696	126,939
Charges for Services		41,538		41,538
Earnings on Investments	5,505			5,505
Miscellaneous	2,081	120		2,201
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	46,946	100,077	53,696	200,719
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	7,954	32,261		40,215
Public Health Services	94			94
Basic Utility Service		12,847		12,847
Transportation	172	223		395
General Government	44,128	21,624		65,752
Capital Outlay			53,696	53,696
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	52,348	66,955	53,696	172,999
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(5,402)	33,122		27,720
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	30,092	154,268		184,360
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$24,690</b>	<b>\$187,390</b>		<b>\$212,080</b>
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*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ALL PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$112,325
<b>Operating Cash Disbursements:</b>	
Personal Services	21,462
Contractual Services	29,534
Supplies and Materials	16,841
Other	1,433
Total Operating Cash Disbursements	69,270
Operating Income	43,055
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	59,522
Interest and Other Fiscal Charges	17,530
Total Non-Operating Cash Disbursements	77,052
Disbursements Over Receipts	(33,997)
Fund Cash Balances, January 1	172,839
<b>Fund Cash Balances, December 31</b>	<b>\$138,842</b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$16,420	\$9,516	\$25,936
Intergovernmental	23,952	21,040	44,992
Charges for Services		30,937	30,937
Earnings on Investments	7,489	120	7,609
Miscellaneous	5,577	401	5,978
	<u>53,438</u>	<u>62,014</u>	<u>115,452</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	7,985	28,135	36,120
Public Health Services	94		94
Transportation		8,453	8,453
General Government	40,019	220	40,239
Capital Outlay		6,777	6,777
	<u>48,098</u>	<u>43,585</u>	<u>91,683</u>
<b>Total Cash Disbursements</b>			
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>5,340</u>	<u>18,429</u>	<u>23,769</u>
Fund Cash Balances, January 1	24,752	135,839	160,591
<b>Fund Cash Balances, December 31</b>	<u><b>\$30,092</b></u>	<u><b>\$154,268</b></u>	<u><b>\$184,360</b></u>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ALL PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$111,185
<b>Operating Cash Disbursements:</b>	
Personal Services	4,155
Employee Fringe Benefits	12,459
Contractual Services	33,814
Total Operating Cash Disbursements	50,428
Operating Income	60,757
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	58,839
Interest and Other Fiscal Charges	18,912
Total Non-Operating Cash Disbursements	77,751
Disbursements Over Receipts	(16,994)
Fund Cash Balances, January 1	189,833
<b>Fund Cash Balances, December 31</b>	<b>\$172,839</b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Grover Hill, Paulding County, (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 sewer utility, police services, fire protection services and emergency medical services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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

Fire Levy Fund – This fund receives property tax money and grants to provide fire protection services to the Village residents.

Emergency Medical Services Fund – This fund receives property tax money, grants, and charges for services from residents for the purpose of providing emergency medical services to Village residents.

**3. 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:

Federal Grant Fund – This fund records the receipt and disbursement of Federal Emergency Management Agency (FEMA) grant monies.

**4. 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:

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

Sewer Debt Retirement Fund - This fund receives charges for services from residents for the purpose of making payments on Ohio Water Development Authority Loans.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Appropriations lapse at year end.

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Village did not use the encumbrance method of accounting.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED CASH**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$220,922	\$227,199
Certificates of deposit	130,000	130,000
Total deposits	<u>\$350,922</u>	<u>\$357,199</u>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,000	\$46,946	(\$3,054)
Special Revenue	61,250	100,077	38,827
Capital Projects		53,696	53,696
Enterprise	100,000	112,325	12,325
Total	\$211,250	\$313,044	\$101,794

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,200	\$52,348	\$3,852
Special Revenue	68,885	66,955	1,930
Capital Projects		53,696	(53,696)
Enterprise	139,250	146,322	(7,072)
Total	\$264,335	\$319,321	(\$54,986)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,000	\$53,438	(\$8,562)
Special Revenue	61,400	62,014	614
Enterprise	72,000	111,185	39,185
Total	\$195,400	\$226,637	\$31,237

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,950	\$48,098	\$20,852
Special Revenue	59,885	43,585	16,300
Enterprise	136,250	128,179	8,071
Total	\$265,085	\$219,862	\$45,223

Contrary to Ohio law, expenditures exceeded appropriations in the Street Construction Maintenance and Repair Fund by \$3,047 in 2007 and \$4,633 in 2006, Federal Emergency Management Agency Fund by \$53,696 and Sewer Fund by \$8,020 in 2007.



**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

**3. BUDGETARY ACTIVITY – (CONTINUED)**

Federal Emergency Management Agency grant monies received in 2007 were not put into a special fund.

**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. DEBT**

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

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2740	\$424,695	2.00%
Ohio Water Development Authority Loan #3668	528,576	1.50%
Ohio Water Development Authority Loan #4105	14,693	1.50%
Total	<u>\$967,964</u>	

Proceeds from the Ohio Water Development Authority (OWDA) Loans #2740 and #3668 were used to construct a wastewater facility. The amount financed by OWDA for Loan #2740 in October 1989 was \$1,015,810. The Village is required to make semi-annual payments in the amount of \$26,015 through January 2017. The amount financed by OWDA for Loan #3668 in May 2002 was \$602,687. The Village is required to make semi-annual payments in the amount of \$12,511 through July 2033.

Ohio Water Development Authority Loan #4105 was used for the Wastewater Treatment Plant Improvements. The amount financed by OWDA for Loan #2749 in March 2004 was \$16,444. The Village is required to make semi-annual payments in the amount of \$341 through January 2034.

Sewer receipts collateralize the loan. Payments toward these loans are made from the Sewer Debt Retirement Fund.

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

**5. DEBT – (CONTINUED)**

The scheduled payments of principal and interest on debt outstanding at December 31, 2007, are as follows:

Year Ending December 31:	Principal	Interest	Total
2008	\$61,158	\$16,576	\$77,734
2009	62,295	15,439	77,734
2010	63,452	14,282	77,734
2011	64,631	13,103	77,734
2012	65,832	11,902	77,734
Subsequent	650,596	84,847	735,443
Total	<u>\$967,964</u>	<u>\$156,149</u>	<u>\$1,124,113</u>

**6. RETIREMENT SYSTEMS**

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 health care survivor and disability benefits.

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

**Social Security**

Effective July 1, 1991, all officials and employees not otherwise covered by OPERS have an option to become a member of the Social Security System. As of December 31, 2007, the Fire Chief, Assistant Fire Chief and one council member have elected Social Security. Council's liability is 6.2 percent of wages.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

**7. RISK MANAGEMENT – (CONTINUED)**

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

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: 2007 and 2006 (the latest information available):

	<b><u>2007</u></b>	<b><u>2006</u></b>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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# Mary Taylor, CPA

Auditor of State

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

Village of Grover Hill  
Paulding County  
301 West Walnut Street  
Grover Hill, Ohio 45849-9559

To the Village Council:

We have audited the financial statements of the Village of Grover Hill, Paulding County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 29, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting as items 2007-001, 2007-004, and 2007-005.

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

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

We also noted certain matters that we reported to the Village's management in a separate letter dated July 29, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 29, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

July 29, 2008

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation – Material Weakness**

Ohio Revised Code §5705.09(F) states that each subdivision shall establish a special fund for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The Village received grant monies from the Federal Emergency Management Agency (FEMA) in the amount of \$53,696 in 2007. These grant monies were recorded in the Fire Levy Special Revenue Fund. Auditor of State Bulletin 96-012 directs these monies to be accounted for in a separate fund. This could result in these monies being used for purposes other than those stipulated in the grant agreement. Adjustments were recorded to establish a separate fund to account for these grant monies.

We recommend the Village review Auditor of State Bulletin 96-012 and establish a special capital projects fund for the receipt and expenditure of money associated with the FEMA grant.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Testing showed that expenditures exceeded appropriations in the following funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<u>FY 2006:</u>			
Street Construction Maintenance and Repair Fund	\$8,300	\$12,933	(\$4,633)
<u>FY 2007</u>			
Street Construction Maintenance and Repair Fund	9,800	12,847	(3,047)
Federal Emergency Management Agency Fund		53,696	(53,696)
Sewer Fund	61,250	69,270	(8,020)

There were adequate actual resources available to increase appropriations to cover these expenditures. The Clerk-Treasurer should have requested from Council amendments to appropriations for the funds.

**FINDING NUMBER 2007-002  
(Continued)**

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. We recommend the Clerk-Treasurer monitor appropriations during the year and make changes when necessary to avoid situations where expenditures exceed appropriations.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

Ohio Rev. Code §5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

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

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.



**FINDING NUMBER 2007-003  
 (Continued)**

All transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2007-004**

**Material Weakness - Sewer Accounts Not Included on Village Books**

The Village maintained three certificates of deposit which were not included in the balance of the Sewer Fund and the Sewer Debt Retirement Fund. This results in the Sewer Fund and the Sewer Debt Retirement Fund balances being understated by the following amounts:

Fund	2006	2007
Sewer Fund	\$97,742	\$97,742
Sewer Debt Retirement Fund	35,755	35,755
Total	\$133,497	\$133,497

Excluding bank accounts from the cashbook balances may allow error of irregularities to occur and not be detected by officials during the regular course of operations. In order to strengthen controls and accountability over Village finances, the Village should include all bank accounts under the control of the Village, in the cashbook balances. The accompanying financial statements have been adjusted to include this activity.

## FINDING NUMBER 2007-005

### Material Weakness – Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments:

1. During prior audit, sewer debt activity was recorded in the General Fund instead of the Sewer Debt Fund. The net effect of this error had it been recorded would have reduced the General Fund balance by \$3,498.
2. The Village received collections made by the County Auditor for delinquent sewer collections assessed on property owners' taxes in the amount of \$33,222 in 2006 and \$22,512 in 2007. The Clerk recorded these amounts as Property and Other Local Taxes in the Sewer Fund and Sewer Debt Enterprise Fund. These collections should have been recorded as charges for services.
3. Contractual services disbursements from the Sewer Fund in the amount of \$7,435 were recorded as materials and supplies disbursements in 2006.

Sound financial reporting is the responsibility of the fiscal officer and the governing board 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 Clerk/Treasurer and the finance committee, to identify and correct errors and omissions. In addition, the Clerk/Treasurer should also review the Auditor of State's Village handbook which contains a chart of accounts. This may help to ensure all accounts are being properly posted to the financial statements.

### Officials Response:

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC§ 5705.41(D) Certification of funds.	No	Not corrected. Reissued as Finding 2007-003 in this report.
2005-002	ORC§ 5705.41(B) Expenditures in excess of appropriation.	No	Not corrected. Reissued as Finding 2007-002 in this report.
2005-003	ORC §5705.09 Federal Emergency Management Agency grant funds not recorded into a special fund.	No	Not corrected. Reissued as Finding 2007-001 in this report.
2005-004	Sewer accounts not included in cashbook balances.	No	Not corrected. Reissued as Finding 2007-004 in this report.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF GROVER HILL**

**PAULDING 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  
SEPTEMBER 2, 2008**