



Dave Yost • Auditor of State

VILLAGE OF GROVER HILL
PAULDING COUNTY

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Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 3, 2012

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Dave Yost • 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 the Village of Grover Hill, Paulding 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. 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.

The Village failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year December 31, 2011 as mandated by Auditor of State Bulletin 2011-004 for regulatory basis financial statements.

Also, in our opinion, except for the effects of not adopting the provisions of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Grover Hill, Paulding County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 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 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 conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 3, 2012

**VILLAGE OF GROVER HILL
PAULDING 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$12,695	\$11,546	\$24,241
Intergovernmental	28,402	16,247	44,649
Charges for Services		36,274	36,274
Fines, Licenses and Permits	4,731		4,731
Miscellaneous	2,706	5,666	8,372
<i>Total Cash Receipts</i>	<u>48,534</u>	<u>69,733</u>	<u>118,267</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,855	46,851	51,706
Public Health Services	86		86
Transportation	1,278	10,616	11,894
General Government	25,940	390	26,330
<i>Total Cash Disbursements</i>	<u>32,159</u>	<u>57,857</u>	<u>90,016</u>
<i>Net Change in Fund Cash Balances</i>	16,375	11,876	28,251
<i>Fund Cash Balances, January 1</i>	<u>13,871</u>	<u>200,782</u>	<u>214,653</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$30,246</u></u>	<u><u>\$212,658</u></u>	<u><u>\$242,904</u></u>

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

VILLAGE OF GROVER HILL
PAULDING COUNTY

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

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$84,403</u>
Operating Cash Disbursements	
Personal Services	5,978
Contractual Services	41,640
Supplies and Materials	<u>17,940</u>
<i>Total Operating Cash Disbursements</i>	<u>65,558</u>
<i>Operating Income</i>	<u>18,845</u>
Non-Operating Disbursements	
Principal Retirement	(32,281)
Interest and Other Fiscal Charges	<u>(6,586)</u>
<i>Total Non-Operating Disbursements</i>	<u>(38,867)</u>
<i>Loss before Transfers</i>	(20,022)
Transfers In	10,326
Transfers Out	<u>(10,326)</u>
<i>Net Change in Fund Cash Balances</i>	(20,022)
<i>Fund Cash Balances, January 1</i>	<u>43,047</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$23,025</u></u>

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

**VILLAGE OF GROVER HILL
PAULDING 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$15,745	\$13,614		\$29,359
Intergovernmental	22,075	24,421	\$52,864	99,360
Charges for Services		47,521		47,521
Fines, Licenses and Permits	7,632			7,632
Earnings on Investments	64	70		134
Miscellaneous	3,714	2,700		6,414
<i>Total Cash Receipts</i>	<u>49,230</u>	<u>88,326</u>	<u>52,864</u>	<u>190,420</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,899	42,472		49,371
Public Health Services	96			96
Basic Utility Service		11,522		11,522
Transportation		447		447
General Government	19,089	43,442		62,531
Capital Outlay			52,864	52,864
<i>Total Cash Disbursements</i>	<u>26,084</u>	<u>97,883</u>	<u>\$52,864</u>	<u>176,831</u>
<i>Net Change in Fund Cash Balances</i>	<u>23,146</u>	<u>(9,557)</u>		<u>13,589</u>
<i>Fund Cash Balances, January 1</i>	<u>(9,275)</u>	<u>210,339</u>		<u>201,064</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$13,871</u></u>	<u><u>\$200,782</u></u>		<u><u>\$214,653</u></u>

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$90,256
Fines, Licenses and Permits	13,000
<i>Total Operating Cash Receipts</i>	103,256
Operating Cash Disbursements:	
Personal Services	3,565
Contractual Services	37,268
Supplies and Materials	1,933
<i>Total Operating Cash Disbursements</i>	42,766
Operating Income	60,490
Non-Operating Cash Disbursements:	
Redemption of Principal	(94,632)
Interest and Other Fiscal Charges	(22,150)
<i>Total Non-Operating Disbursements</i>	(116,782)
<i>Loss before Transfers</i>	(56,292)
Transfers-In	9,290
Transfers-Out	(9,290)
<i>Net Change in Fund Cash Balances</i>	(56,292)
<i>Fund Cash Balances, January 1</i>	99,339
<i>Fund Cash Balances, December 31</i>	\$43,047

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, 2011 AND 2010**

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 Grover Hill, Paulding County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, police, fire protection and emergency medical services.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 7 to the financial statements provide 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.

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:

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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. 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.

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 2011 and 2010 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.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

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

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$265,929	\$257,700

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

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	\$46,000	\$48,534	\$2,534
Special Revenue	54,311	69,733	15,422
Enterprise	105,000	94,729	(10,271)
Total	\$205,311	\$212,996	\$7,685

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,793	\$32,159	\$10,634
Special Revenue	88,815	57,857	30,958
Enterprise	139,070	114,751	24,319
Total	\$270,678	\$204,767	\$65,911

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,000	\$49,230	\$4,230
Special Revenue	67,500	88,326	20,826
Capital Projects	52,864	52,864	
Enterprise	87,000	112,546	25,546
Total	\$252,364	\$302,966	\$50,602

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

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

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,841	\$26,084	\$21,757
Special Revenue	69,796	97,883	(28,087)
Capital Projects	52,864	52,864	
Enterprise	144,420	168,838	(24,418)
Total	\$314,921	\$345,669	(\$30,748)

Contrary to the Ohio Revised Code, a Federal Emergency Management Agency (FEMA) grant was recorded in the Fire Fund instead of a separate FEMA grant fund and costs collected by the Mayor's court were not remitted to the State Treasury and Paulding County. Also, expenditures exceeded appropriations in the Street Construction Maintenance and Repair, Emergency Medical Services, Sewer Operating and Sewer Debt Service Funds in 2010 and Sewer Operating Fund in 2011.

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, 2011 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #2740	\$268,353	2.00%
Ohio Water Development Authority Loan #3668	467,388	1.50%
Ohio Water Development Authority Loan #4105	13,012	1.50%
Total	\$748,753	

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 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 through July 2033.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

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

5. Debt (Continued)

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

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

The loan payments due January 1, 2012 were made on January 31, 2012. These amounts are included in the scheduled payments for year ended December 31, 2012.

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

Year ending December 31:	Princial	Interest	Total
2012	\$98,182	\$18,420	\$116,602
2013	67,056	10,678	77,734
2014	68,304	9,431	77,735
2015	69,574	8,160	77,734
2016	70,883	6,851	77,734
2017-2021	103,874	24,648	128,522
2022-2026	111,932	16,589	128,521
2027-2031	120,616	7,905	128,521
2032-2037	38,332	581	38,913
Total	<u>\$748,753</u>	<u>\$103,263</u>	<u>\$852,016</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 the 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.

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, 2011, the Mayor, Fire Chief, Assistant Fire Chief, and two council members have elected Social Security. Council's liability is 6.2 percent of wages.

7. Risk Management

Risk Pool Membership

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.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

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

7. Risk Management (Continued)

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

- 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 participates 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 GROVER HILL
PAULDING COUNTY**

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

7. 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 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, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated October 3, 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 the Village did not adopt the provision of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village has failed to pay audit fees due the Auditor of State. 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 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 2011-003, 2011-005 and 2011-006 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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-004

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 3, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Dave Yost
Auditor of State

October 3, 2012

**VILLAGE OF GROVER HILL
PAULDING COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

Noncompliance Citation

Ohio Rev. Code § 2949.091(A)(1)(a), requires a court in which any person is convicted of or pleads guilty to any offense shall impose one of the following sums as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- (i) Thirty dollars if the offense is a felony;
- (ii) Twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violation;
- (iii) Ten dollars if the offense is a traffic offense that is not a moving violation, excluding parking violations.

All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the indigent defense support fund established under § 120.08 of the Revised Code.

Ohio Rev. Code, § 2743.70(A)(1), requires a court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, to impose the following sum as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- (a) Thirty dollars, if the offense is a felony;
- (b) Nine dollars, if the offense is a misdemeanor.

All such moneys shall be transmitted to the treasurer of state and deposited by the treasurer in the reparations fund.

Ohio Rev. Code, § 2949.094(A), requires the court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. The court shall not waive the payment of the ten dollars unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

These costs are to be transmitted as follows:

- Thirty-five per cent to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund created under § 5502.68 of the Revised Code and the remaining three per cent shall be credited to the justice program services fund created under § 5502.67 of the Revised Code;
- Fifteen per cent to the county court's indigent drivers alcohol treatment fund that was created by the county under division (H) of § 4511.191 of the Revised Code;

**FINDING NUMBER 2011-001
(Continued)**

- Fifty per cent to the state treasury to be credited to the indigent defense support fund created pursuant to § 120.08 of the Revised Code.

In accordance with Ohio Rev. Code § 2949.091(A)(1)(a), the Mayor's Court had ninety-four court cases in 2010 and 2011 which the \$20 cost was collected from defendants for a total amount of \$1,880, none of which was remitted by the Mayor's court clerk to the treasurer of state for purposes of the indigent defense support fund established under § 120.08 of the Revised Code.

Pursuant to Ohio Rev. Code § 2743.70(A)(1), the Mayor's Court had ninety-four court cases in 2010 and 2011 involving misdemeanor offenses in which the \$9 cost was collected from defendants for a total amount of \$846, none of which was remitted by the Mayor's Court clerk to the treasurer of state for purposes of the reparations fund.

Pursuant to Ohio Rev. Code § 2949.094(A), the Mayor's Court had ninety-four court cases involving misdemeanor offenses in which the defendant was either convicted or pled guilty to moving traffic violations during 2010 and 2011, for a total amount of \$940, of which \$9.40 should have been credited to the justice program services fund created under § 5502.67 of the Revised Code, \$470 to the indigent defense support fund created under § 120.08 of the Revised Code, \$141 to the Paulding County Court's Indigent Drivers Alcohol Treatment fund created under division (H) of § 4511.191 of the Revised Code and \$319.60 to the drug law enforcement fund created under § 5502.68 of the Revised Code.

The Village fiscal officer should disburse \$3,525 to the State of Ohio Treasury, (\$2,350 to the indigent defense support fund, \$846 to the reparations fund, \$9.40 to the justice program service fund, \$319.60 to the drug law enforcement fund) and \$141 to the Paulding County Court's Indigent Drivers Alcohol Treatment fund.

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Rev. Code, § 5705.41(D)(1), states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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, each of 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 the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

FINDING NUMBER 2011-002
(Continued)

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 Council.

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 Council 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 may, but need not, be limited to a specific vendor. 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.

All transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence 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 Council certify purchases to which Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language that Ohio Revised Code § 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 Ohio Revised Code § 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 2011-003

Noncompliance Citation/Material Weakness

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

Auditor of State Bulletin 96-012 directs that monies received from the Federal Emergency Management Agency (FEMA) are to be accounted for in a separate fund. The Village received grant monies from FEMA in the amount of \$52,864 in 2010. These grant monies were not recorded in a separate fund, but in the Fire Fund instead. This could result in FEMA grant 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 on the financial statements.

We recommend the Village review and follow Auditor of State Bulletin 96-012.

FINDING NUMBER 2011-004

Noncompliance Citation

Ohio Rev. Code, §5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had disbursements in excess of appropriations at December 31:

	Total Appropriations	Total Disbursements	Variance
<u>2010</u>			
Street Construction	\$12,956	\$17,815	(\$4,859)
Maintenance and Repair Fund			
Emergency Medical Services Fund	11,715	42,519	(30,804)
Sewer Operating Fund	66,420	80,989	(14,569)
Sewer Debt Service Fund	78,000	87,849	(9,849)
<u>2011</u>			
Sewer Operating Fund	61,070	75,884	(14,814)

Expenditures in excess of appropriations may result in deficit spending. We recommend expenditures and appropriations be reviewed frequently by the Council and the necessary adjustments be made to reduce the possibility of expenditures exceeding appropriations. These adjustments should be formally approved by the Council in the minutes and the Fiscal Officer should only make amendments to the appropriations ledger based on these formally documented approvals.

FINDING NUMBER 2011-005

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:

- In 2010, Estate tax, public utility reimbursement, excess IRP, cigarette tax, liquor tax and tangible personal property replacement tax monies in the amount of \$4,075 was recorded as property and other local taxes in the General Fund instead of as intergovernmental revenues.
- In 2010, mobile home taxes in the amount of \$231 were recorded as intergovernmental revenues in the General fund instead of as property and other local taxes.
- In 2010, collections received from billings made for emergency medical services (EMS) in amount of \$1,360 were recorded in the Fire fund instead of EMS fund.
- In 2011 debt principal payments in the amount of \$28,933 were recorded as contractual services in the Sewer Operating Enterprise Fund instead of Debt principal payments.

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.

**FINDING NUMBER 2011-005
(Continued)**

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 the finance committee, to identify and correct errors and omissions. In addition, the Fiscal Officer 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

The accompanying financial statements and Village accounting records have been adjusted to correct these errors.

FINDING NUMBER 2011-006

Material Weakness – Emergency Medical Services (EMS) Billing

The Village Council has established a charge for patients treated and transported by its EMS. The Village also has entered into an agreement with an outside billing company which will bill and collect these charges from the patients. In order to start this process a run report is forwarded to the billing company by the fire chief.

Collections from these charges for services were \$15,224 in 2010 and \$5,336 in 2011.

In 2011 according to the run reports, there were 43 patients which should be billed charges of \$350 each. One run report was sent to the billing company for billing and collection.

This has resulted in a potential loss of revenues to the Village of approximately \$7,300 in 2011.

We recommend the run reports should be forwarded to the billing company as soon as possible. In addition, Village management should conduct periodic reviews of collections and run activity to determine the reports are billed.

Officials' Response:

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

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**VILLAGE OF GROVER HILL
PAULDING 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	Ohio Revised Code § 2949.091(A) (1) (a) Finding for Recovery for non-payment of court costs collected to the State of Ohio.	No	Reissued as a noncompliance citation as Finding 2011-001 in this report.
2009-002	Ohio Revised Code § 5705.10(H) Disbursements allocated to the incorrect funds.	Yes	
2009-003	Ohio Revised Code § 5705.09 (F) maintaining a separate fund for grant monies.	No.	Reissued as Finding 2011 – 003 in this report.
2009-004	Ohio Revised Code § 5705.14 Improper fund to fund transfers.	No	Partially corrected, reducing this to a management letter comment.
2009-005	Ohio Revised Code § 5705.41(D) Improper Certification of Funds.	No	Reissued as Finding 2011-002 in this report.
2009-006	Material Weakness – Financial Reporting – certain errors required adjustment.	No	Reissued as Finding 2011 – 005 in this report.
2009-007	Material Weakness – EMS Billings and Sludge Receipts lacked supporting documentation.	Yes	

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Dave Yost • 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
OCTOBER 23, 2012