



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF GROVER HILL  
PAULDING COUNTY  
DECEMBER 31, 2017 AND 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report on the Financial Statements, Internal Control, and Compliance.....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2017 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2017 .....	4
Notes to the Financial Statements – For the Year Ended December 31, 2017.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2016 .....	12
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2016 .....	13
Notes to the Financial Statements – For the Year Ended December 31, 2016.....	14
Schedule of Findings.....	21
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	38

**This page intentionally left blank.**



## REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

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

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Grover Hill, Paulding County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

### ***Internal Control Over Financial Reporting***

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify certain internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2017-001, 2017-005, 2017-006, 2017-016, and 2017-021 through 2017-025 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

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

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe

could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2017-001 through 2017-015 and 2017-017 through 2017-020.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent "K" and "F".

Keith Faber  
Auditor of State

Columbus, Ohio

January 16, 2019

**Village of Grover Hill, Ohio**  
*Paulding County*  
**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)**  
*All Governmental Fund Types*  
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$14,056	\$9,798		\$23,854
Intergovernmental	28,063	17,469	\$876,821	922,353
Charges for Services		57,063		57,063
Fines, Licenses and Permits	121			121
Earnings on Investments	105	10		115
Miscellaneous	772	115,215		115,987
<i>Total Cash Receipts</i>	<u>43,117</u>	<u>199,555</u>	<u>876,821</u>	<u>1,119,493</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	6,847	31,451		38,298
Transportation	10,318	16,120		26,438
General Government	38,908			38,908
Capital Outlay		154,665	985,322	1,139,987
Debt Service:				
Principal Retirement		18,550		18,550
Interest and Fiscal Charges		6,045		6,045
<i>Total Cash Disbursements</i>	<u>56,073</u>	<u>226,831</u>	<u>985,322</u>	<u>1,268,226</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(12,956)</u>	<u>(27,276)</u>	<u>(108,501)</u>	<u>(148,733)</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds		43,650	\$108,501	152,151
<i>Net Change in Fund Cash Balances</i>	(12,956)	16,374		3,418
<i>Fund Cash Balances, January 1</i>	<u>65,992</u>	<u>181,371</u>		<u>247,363</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		197,745		197,745
Assigned	16,130			16,130
Unassigned	36,906			36,906
<i>Fund Cash Balances, December 31</i>	<u>\$53,036</u>	<u>\$197,745</u>		<u>\$250,781</u>

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

**Village of Grover Hill, Ohio**  
*Paulding 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, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$118,520		\$118,520
Miscellaneous	46,517		46,517
<i>Total Operating Cash Receipts</i>	<u>165,037</u>		<u>165,037</u>
<b>Operating Cash Disbursements</b>			
Personal Services	15,102		15,102
Contractual Services	85,869		85,869
Supplies and Materials	16,521		16,521
<i>Total Operating Cash Disbursements</i>	<u>117,492</u>		<u>117,492</u>
<i>Operating Income</i>	<u>47,545</u>		<u>47,545</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Other Financing Sources		\$160	160
Other Financing Uses		(1,213)	(1,213)
Principal Retirement	(61,239)		(61,239)
Interest and Other Fiscal Charges	(9,958)		(9,958)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(71,197)</u>	<u>(1,053)</u>	<u>(72,250)</u>
<i>Net Change in Fund Cash Balances</i>	(23,652)	(1,053)	(24,705)
<i>Fund Cash Balances, January 1</i>	<u>(103,469)</u>	<u>1,209</u>	<u>(102,260)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$127,121)</u></u>	<u><u>\$156</u></u>	<u><u>(\$126,965)</u></u>

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



**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 1 – Reporting Entity**

The Village of Grover Hill (the Village), Paulding County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, maintenance of Village streets, sewer utilities, police, fire protection, and emergency medical services.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 7 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 for debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Emergency Medical Services Fund*** This fund receives property taxes, donations, and charges for services for providing emergency medical services to residents of the Village. This fund also receives contractual charges for services for providing emergency medical services to area townships.

***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:

***Miscellaneous Capital Project Fund*** This fund accounts for and reports proceeds of grants from the State of Ohio as well as loan proceeds restricted for the Village's State Route 637/Main Street reconstruction project.

***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 Operating Fund*** This fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

---

**Sewer Debt Service Fund** This fund receives charges for services from residents and commercial users for the purpose of making payments on Ohio Water Development Authority Loans.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village had the following significant Agency Fund:

**Mayor's Court Fund** This fund accounts for fees and fines imposed by the Mayor for traffic violations. Corresponding expenditures are to be made to the applicable government agencies.

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Village Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

**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. Appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**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 2017 budgetary activity appears in Note 4.

***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.

***Capital Assets***

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, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

---

**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:

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

***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.

***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.

***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.

***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.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Revenue Emergency Medical Services Fund and the Enterprise Sewer Debt Service Fund by \$153,003 and \$31,197, respectively, for the year ended December 31, 2017.

Contrary to Ohio law, the Village inappropriately recorded Mayor's Court costs due to the Village in the Agency Mayor's Court Fund instead of the General Fund.

Ohio Water Development Agency (OWDA) Loan Agreement § 4.3(a), requires the Village to at all times prescribe and charge such rates for the services of the System as shall result in Pledged Revenues at least adequate to provide for the payments required by section 4.1 of the loan agreement. The Village did not meet this debt covenant.

Contrary to Ohio law, estimated receipts and appropriations were not properly posted to the Village's fiscal ledgers.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017, follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,000	\$43,117	\$1,117
Special Revenue	77,200	243,205	166,005
Capital Projects		985,322	985,322
Enterprise	110,000	165,037	55,037
Total	\$229,200	\$1,436,681	\$1,207,481

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,900	\$56,073	\$3,827
Special Revenue	92,775	226,831	(134,056)
Capital Projects	985,322	985,322	
Enterprise	128,400	188,689	(60,289)
Total	\$1,266,397	\$1,456,915	(\$190,518)

**Note 5 – 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:

Demand deposits	2017
	\$123,816

Deposits are insured by the Federal Depository Insurance Corporation.

**Note 6 – Taxes**

***Property Taxes***

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.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

---

**Note 7 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Member Equity	<u>\$5,292,512</u>

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

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Several Village 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. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has not paid all contributions required through December 31, 2017.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Social Security**

Several Village employees and officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 10 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 2740	\$172,704	2.00%
Ohio Water Development Authority Loan 3668	344,902	1.50%
Ohio Water Development Authority Loan 4105	9,679	1.50%
Ohio Public Works Commission Loan	108,501	0.00%
Fire Truck Loan	150,629	3.62%
EMS Ambulance Loan	43,092	2.80%
	<u>\$829,507</u>	

**Ohio Water Development Authority Loans**

The Ohio Water Development Authority (OWDA) Loans #2740 and #3668 were obtained for the construction of a wastewater facility. The amount financed by OWDA for Loan #2740 in October 1989 was \$1,015,810. Starting in 2013, the Village was not able to make payments on this loan due to insufficient funds in the Enterprise Sewer Debt Service Fund. In 2013, since the Village was not making its debt payments, OWDA refinanced this loan to convert it from a 25 year loan to a 30 year loan in order to reduce the annual debt payments. In addition, OWDA did not require loan payments to be paid for five years, but increased the principal balance each year to include fees and interest incurred on the loan. In 2013, the outstanding principal amount of \$233,765 included \$31,934 in finance fees and \$3,702 in interest that was added to the principal due to nonpayment of the loan. In 2014, the principal amount of \$244,103 included \$3 in finance fees and \$10,347 in interest, and in 2015, the principal amount of \$249,974, included \$5,871 in interest due to nonpayment of the loan. The amount financed in May 2002 for Loan #3668 was \$602,687. The Village is required to make semi-annual payments through July 2033.

The Ohio Water Development Authority (OWDA) Loan #4105 was used for 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 of \$683 through January 2034.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Ohio Public Works Commission Loan**

The Village entered into a loan agreement dated July 1, 2016 with the Ohio Public Works Commission (OPWC) (Project Number CT12T) for the State Route 637/Main Street Reconstruction Project. The total amount of proceeds the Village could draw for this loan is \$252,500. As of December 31, 2017, the Village received a total of \$108,501 in loan proceeds. The loan is to be repaid in semi-annual payments of \$3,617 over a period of 30 years at 0% interest starting July 1, 2018.

**Fire Truck Loan**

The Village obtained a \$200,000 loan from State Bank and Trust in February 2015 for the purchase of a new fire truck. The Village is required to make monthly payments of \$1,995 until March of 2025.

**EMS Ambulance Loan**

The Village obtained a \$43,650 loan from State Bank and Trust in November 2017 for the purchase of a new EMS ambulance. The Village is required to make monthly payments of \$660 until November of 2023.

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

Year ending December 31:	OWDA Loans	OPWC Loan	Fire Truck Loan	EMS Loan
2018	\$71,061	\$1,808	\$23,935	\$7,921
2019	71,060	3,617	23,935	7,920
2020	71,061	3,617	24,017	7,921
2021	71,060	3,617	24,034	7,920
2022	25,704	3,617	24,034	7,921
2023-2027	128,881	18,083	52,074	7,261
2028-2032	128,521	18,083		
2033-2037	13,194	18,083		
2038-2042		18,083		
2043-2047		18,083		
2048		1,810		
Total	\$580,542	\$108,501	\$172,029	\$46,864

**Note 11 – Miscellaneous Receipts**

Special Revenue Fund miscellaneous revenue primarily consisted of various donations and contributions. The Enterprise Fund miscellaneous revenue primarily consisted of insurance recovery payments for storm damage at the Village's wastewater treatment facility.

**Note 12 – Subsequent Event**

The Village was placed in Fiscal Emergency on January 11, 2018 for deficit fund balances and treasury deficiency.

**Village of Grover Hill, Ohio**  
*Paulding County*  
**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)**  
*All Governmental Fund Types*  
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$12,687	\$8,918		\$21,605
Intergovernmental	28,339	16,816	\$16,250	61,405
Charges for Services		49,056		49,056
Fines, Licenses and Permits	363			363
Earnings on Investments	8	12		20
Miscellaneous	983	1,000		1,983
<i>Total Cash Receipts</i>	<u>42,380</u>	<u>75,802</u>	<u>16,250</u>	<u>134,432</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	6,264	29,716		35,980
Transportation		14,252		14,252
General Government	40,032	314		40,346
Capital Outlay			16,250	16,250
Debt Service:				
Principal Retirement		17,326		17,326
Interest and Fiscal Charges		6,609		6,609
<i>Total Cash Disbursements</i>	<u>46,296</u>	<u>68,217</u>	<u>\$16,250</u>	<u>130,763</u>
<i>Net Change in Fund Cash Balances</i>	(3,916)	7,585		3,669
<i>Fund Cash Balances, January 1</i>	<u>69,908</u>	<u>173,786</u>		<u>243,694</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		181,371		181,371
Assigned	17,900			17,900
Unassigned	48,092			48,092
<i>Fund Cash Balances, December 31</i>	<u>\$65,992</u>	<u>\$181,371</u>		<u>\$247,363</u>

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



**Village of Grover Hill, Ohio**  
*Paulding 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, 2016*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$113,358		\$113,358
Miscellaneous	94		94
<i>Total Operating Cash Receipts</i>	<u>113,452</u>		<u>113,452</u>
<b>Operating Cash Disbursements</b>			
Personal Services	16,132		16,132
Contractual Services	46,516		46,516
Supplies and Materials	14,238		14,238
<i>Total Operating Cash Disbursements</i>	<u>76,886</u>		<u>76,886</u>
<i>Operating Income</i>	<u>36,566</u>		<u>36,566</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Other Financing Sources		\$480	480
Other Financing Uses		(363)	(363)
Principal Retirement	(56,049)		(56,049)
Interest and Other Fiscal Charges	(11,609)		(11,609)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(67,658)</u>	<u>117</u>	<u>(67,541)</u>
<i>Net Change in Fund Cash Balances</i>	(31,092)	117	(30,975)
<i>Fund Cash Balances, January 1</i>	<u>(72,377)</u>	<u>1,092</u>	<u>(71,285)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$103,469)</u></u>	<u><u>\$1,209</u></u>	<u><u>(\$102,260)</u></u>

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

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 1 – Reporting Entity**

The Village of Grover Hill (the Village), Paulding County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, maintenance of Village streets, sewer utilities, police, fire protection, and emergency medical services.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 7 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Fire Levy Fund*** This fund receives property taxes, grants, and donations for providing fire protection services to residents of the Village. This fund also receives contractual charges for services for providing fire protection services to area townships.

***Emergency Medical Services Fund*** This fund receives property taxes, donations, and charges for services for providing emergency medical services to residents of the Village. This fund also receives contractual charges for services for providing emergency medical services to area townships.

***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:

***Miscellaneous Capital Project Fund*** This fund accounts for and reports proceeds of grants from the State of Ohio restricted for the Village's State Route 637/Main Street reconstruction project.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

---

**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 Operating Fund** This fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

**Sewer Debt Service Fund** This fund receives charges for services from residents and commercial users for the purpose of making payments on Ohio Water Development Authority loans.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund:

**Mayor's Court Fund** This fund accounts for fees and fines imposed by the Mayor for traffic violations. Corresponding expenditures are to be made to the applicable government agencies.

**Basis of Accounting**

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Village Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**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. Appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**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 2016 budgetary activity appears in Note 4.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

---

***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.

***Capital Assets***

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

***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:

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

***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.

***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.

***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.

***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.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Enterprise Sewer Debt Service Fund by \$41,658 for the year ended December 31, 2016.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

Contrary to Ohio law, the Village inappropriately recorded fire contract monies in the Special Revenue Emergency Medical Services (EMS) Fund instead of the Special Revenue Fire Levy Fund. In addition, the Village inappropriately recorded EMS run payments in the Special Revenue Fire Levy Fund instead of the Special Revenue EMS Fund. Furthermore, the Village inappropriately recorded Mayor's Court costs due to the Village in the Agency Mayor's Court Fund instead of the General Fund.

Ohio Water Development Agency (OWDA) Loan Agreement § 4.3(a), requires the Village to at all times prescribe and charge such rates for the services of the System as shall result in Pledged Revenues at least adequate to provide for the payments required by section 4.1 of the loan agreement. The Village did not meet this debt covenant.

Contrary to Ohio law, estimated receipts and appropriations were not properly posted to the Village's fiscal ledgers.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016, follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,000	\$42,380	(\$5,620)
Special Revenue	81,500	75,802	(5,698)
Capital Projects		16,250	16,250
Enterprise	95,000	113,452	18,452
Total	\$224,500	\$247,884	\$23,384

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,800	\$46,296	\$3,504
Special Revenue	92,775	68,217	24,558
Capital Projects	16,250	16,250	
Enterprise	113,400	144,544	(31,144)
Total	\$272,225	\$275,307	(\$3,082)

**Note 5 – 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:

Demand deposits	2016 \$145,103
-----------------	-------------------

Deposits are insured by the Federal Deposit Insurance Corporation.

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

---

**Note 6 – Taxes**

***Property Taxes***

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.

**Note 7 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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, 2016:

Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Member Equity	<u><u>\$5,234,206</u></u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Several Village 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. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Several Village employees and officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 2740	\$213,785	2.00%
Ohio Water Development Authority Loan 3668	364,529	1.50%
Ohio Water Development Authority Loan 4105	10,210	1.50%
Fire Truck Loan	168,677	3.62%
Total	\$757,201	

***Ohio Water Development Authority Loans***

The Ohio Water Development Authority (OWDA) Loans #2740 and #3668 were obtained for the construction of a wastewater facility. The amount financed by OWDA for Loan #2740 in October 1989 was \$1,015,810. Starting in 2013, the Village was not able to make payments on this loan due to insufficient funds in the Enterprise Sewer Debt Service Fund. In 2013, since the Village was not making its debt payments, OWDA refinanced this loan to convert it from a 25 year loan to a 30 year loan in order to reduce the annual debt payments. In addition, OWDA did not require loan payments to be paid for five years, but increased the principal balance each year to include fees and interest incurred on the loan. In 2013, the outstanding principal amount of \$233,765 included \$31,934 in finance fees and \$3,702 in interest that was added to the principal due to nonpayment of the loan. In 2014, the principal amount of \$244,103 included \$3 in finance fees and \$10,347 in interest, and in 2015, the principal amount of \$249,974 included \$5,871

**Village of Grover Hill, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

in interest due to nonpayment of the loan. The amount financed in May 2002 for Loan #3668 was \$602,687. The Village is required to make semi-annual payments through July 2033.

The Ohio Water Development Authority (OWDA) 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 of \$683 through January 2034.

**Fire Truck Loan**

The Village obtained a \$200,000 loan from State Bank and Trust in February 2015 for the purchase of a new fire truck. The Village is required to make monthly payments of \$1,995 until March 2025.

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

Year Ending December 31:	OWDA Loans	Fire Truck Loan
2017	\$71,060	\$23,935
2018	71,061	23,935
2019	71,060	23,935
2020	71,061	24,018
2021	71,061	24,034
2022-2026	128,521	76,107
2027-2031	128,881	
2032-2033	38,898	
Total	\$651,603	\$195,964

**Note 11 – Subsequent Events**

The Village obtained a \$43,650 loan from State Bank and Trust in November 2017 for the purchase of a new ambulance. The Village is required to make monthly payments of \$660 until November of 2023.

The Village entered into a loan agreement dated July 1, 2016 with the Ohio Public Works Commission (OPWC) for the State Route 637/Main Street Reconstruction Project. The total amount of proceeds the Village could draw for this loan is \$252,500.

The Village was placed in Fiscal Emergency on January 11, 2018 for deficit fund balances and treasury deficiency.



VILLAGE OF GROVER HILL  
PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016

<i><b>Finding Number</b></i>	<b>2017-001</b>
------------------------------	-----------------

**Noncompliance Citation and Internal Control Deficiency – Monies Recorded in the Improper Fund**

**Ohio Rev. Code § 5705.10(D)** 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.

- In 2016, the Village inappropriately recorded \$1,615 of fire contract revenue in the Special Revenue Emergency Medical Services (EMS) Fund. Given the source of the revenue, this should have been recorded in the Special Revenue Fire Levy Fund.
- In 2016, the Village inappropriately recorded \$3,236 of EMS run revenue in the Special Revenue Fire Levy Fund. Given the source of the revenue, this should have been recorded in the Special Revenue EMS Fund.
- In 2017 and 2016, the Village inappropriately recorded \$121 and \$363, respectively, of Mayor's Court costs due to the Village in the Agency Mayor's Court Fund. Given the source of the revenue, this should have been recorded in the General Fund.

Adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to ensure posting to the proper funds.

<i><b>Finding Number</b></i>	<b>2017-002</b>
------------------------------	-----------------

**Noncompliance Citation – Certification of Available Balances**

**Ohio Rev. Code § 5705.36(A)** provides that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, or if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balance that existed at the end of the preceding year.

Due to inadequate policies and procedures over the certification of available balances, the Village did not file the required certificate for 2017 and 2016 with the County Auditor until June 27, 2017 and February 17, 2016, respectively. Failure to certify balances by the required date could result in appropriations exceeding estimated resources.

The Fiscal Officer should file the certificate of the total amount available for expenditures and balances with the County Auditor on or about the first day of each year.

<b>Finding Number</b>	<b>2017-003</b>
-----------------------	-----------------

**Noncompliance Citation – Approval of Appropriations**

**Ohio Rev. Code § 5705.38(A)** requires that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

The Village did not document in the minutes formal approval of annual appropriations for either 2017 or 2016 on or about the first day of each fiscal year. Although an appropriation resolution was filed with the County Auditor on June 27, 2017 and February 17, 2016, there was no evidence Council passed temporary appropriations for ordinary expenses of the Village until permanent appropriations were passed and submitted to the County Auditor. These errors were the result of inadequate policies and procedures regarding approval of appropriations. As a result, expenditures made prior to this point were not legally expended.

The Village should adopt permanent appropriations on or about the first day of each year. Council's formal approval of the appropriations should be documented in the minutes. If the Village wants to postpone passage of the annual appropriations, the Village should adopt temporary appropriations to cover ordinary expenses until such time as the permanent appropriations are adopted.

<b>Finding Number</b>	<b>2017-004</b>
-----------------------	-----------------

**Noncompliance Citation – Expenditures in Excess of Appropriations**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Rev. Code.

Village management officials did not sufficiently monitor budget versus actual reports to ensure expenditures did not exceed Council approved appropriations.

The following funds had expenditures in excess of appropriations:

	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Difference</b>
<b>For the Year Ended December 31, 2017:</b>			
Emergency Medical Services Fund	\$18,525	\$171,528	\$153,003
Sewer Debt Service Fund	40,000	71,197	31,197
<b>For the Year Ended December 31, 2016:</b>			
Sewer Debt Service Fund	\$26,000	\$67,658	\$41,658

These errors occurred since the Village did not use purchase orders or encumbrances to help prevent the Village from spending more funds than had been appropriated. In addition, these errors were the result of inadequate policies and procedures in approving and reviewing budget versus actual information.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

Village Council should frequently review expenditures and appropriations. In addition, the necessary appropriation amendments should be made, if possible, to reduce the possibility of expenditures exceeding appropriations. The Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

<b><i>Finding Number</i></b>	<b>2017-005</b>
------------------------------	-----------------

**Noncompliance Citation and Internal Control Deficiency – Not Properly Encumbering/Utilizing Purchase Orders**

**Ohio Rev. Code § 5705.41(D)(1)** provides 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), of the Ohio Rev. 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.

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.

None of the transactions tested in 2017 and 2016 were certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Village followed the aforementioned exceptions. This was caused by failure of Council to adopt a policy regarding the use of purchase orders, blanket certificates, super blanket certificates, or then and now certificates.

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, the Fiscal Officer should 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.

The Village Council should 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 Fiscal Officer 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.

<b><i>Finding Number</i></b>	<b>2017-006</b>
------------------------------	-----------------

**Noncompliance Citation and Internal Control Deficiency – Recording On-Behalf Activity**

**Ohio Rev. Code § 5705.42** requires, in part, when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the fiscal officer of the subdivision.

In 2017 and 2016, the Village received on-behalf of grants and loan proceeds totaling \$985,322 and \$16,250, respectively, from various sources for the State Route 637/Main Street reconstruction project. Due to deficiencies in Village procedures over recording appropriations, the Village did not record these appropriations in the accounting system. Failing to record appropriations in the accounting system could result in management making misinformed decisions.

The Village should record appropriations for federal and state grants and loans that are deemed appropriated. Since the Village is required to record appropriations, it should also request the amount be included on the certificate of estimated resources received from the county budget commission to enhance the Village's monitoring of financial activity.

<b><i>Finding Number</i></b>	<b>2017-007</b>
------------------------------	-----------------

**Noncompliance Citation – Fraud Reporting System**

**Ohio Rev. Code § 117.103(B)(1)** provides that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment.

Due to deficiencies in internal policies and procedures over the fraud-reporting system, the Village did not confirm and maintain receipt of the required form for the new employee hired in 2016. Failure to inform employees of the fraud-reporting system could lead to suspected fraud not being reported.

The Village should begin confirming and maintaining receipt of the required form for any new employees.

<b><i>Finding Number</i></b>	<b>2017-008</b>
------------------------------	-----------------

**Noncompliance Citation – Documentation of Pertinent Information in Village Minutes**

**Ohio Rev. Code § 121.22(C)** provides that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained. A public body must keep full and accurate minutes of its meetings. Those minutes do not have to be a verbatim transcript of the proceedings, but they must include enough facts and information to permit the public to understand and appreciate the rationale behind the public body's decisions.

Due to deficiencies in the Village's policies and procedures for the recording of the minutes, the Village's minutes did not include the following pertinent information:

- Approval of the 2017 and 2016 permanent appropriations.
- Approval of the Village's contracts with four area townships for fire protection and emergency medical services covering 2016 through 2018.
- Approval of the third party administrator billing service agreement entered into in 2016 with The AccuMed Group to handle the Village's EMS run billings and collections.
- Approval of EMS run rates to be billed by AccuMed.
- Approval of the \$1,000 donation from the Cooper Farms Hatchery in 2016.
- Approval of the \$500 donation from the Wetzal Motorcycle Club in 2017.
- Approval of two insurance recovery payments for storm damage at the sewer plant totaling \$46,517 in 2017.

This could result in transactions and actions being performed that are not the Council's intentions.

The Village's minutes should document enough information to determine the general topics discussed; the individuals involved in the discussion or topic being discussed; the procedures being followed to pass an ordinance, resolution, or motion for approval; the dollar amounts being approved; and the resolution of the matter. Any documents presented to Council for approval at the meetings should also be maintained so it can be determined what documents have been approved.

<b><i>Finding Number</i></b>	<b>2017-009</b>
------------------------------	-----------------

**Noncompliance Citation – Executive Sessions**

**Ohio Rev. Code § 121.22(G)** provides that the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold such a session and only at a regular or special meeting for the sole purpose of the consideration of any of the following matters:

- (1) The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official licensee, or regulated individual requests a public hearing;

- (2) The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest.
- (3) Conducting conferences with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action.
- (4) Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.
- (5) Matters required to be kept confidential by federal laws or rules or state statutes.
- (6) Specialized details of security arrangements and emergency response protocols where disclosure of the matters discussed could reasonably be expected to jeopardize the security of -the public body or public office.
- (7) In the case of a county hospital operated pursuant to Chapter 339. of the Revised Code, a joint township hospital operated pursuant to Chapter 513. of the Revised Code, or a municipal hospital operated pursuant to Chapter 749. of the Revised Code, to consider trade secrets, as defined in section 1333.61 of the Revised Code
- (8) Subject to certain conditions, to consider confidential information related to the marketing plans, specific business strategy, production techniques, trade secrets, or personal financial statements of an applicant for economic development assistance, or to negotiations with other political subdivisions respecting requests for economic development assistance.

The Village's minutes documented executive sessions held at the May 23, 2016, September 26, 2016, June 14, 2017, and June 19, 2017 Council meetings. Due to a lack of adequate policies and procedures, the minutes did not specifically identify the purpose of the executive sessions; therefore, it could not readily be determined if these executive sessions were for an allowable purpose authorized by the Ohio Rev. Code.

Village Council should only hold executive sessions for those allowable purposes identified in the Ohio Rev. Code and ensure any executive sessions are specifically identified for such matters in the Village minutes.

<b><i>Finding Number</i></b>	<b>2017-010</b>
------------------------------	-----------------

**Noncompliance Citation – Investment Training Requirements**

**Ohio Rev. Code § 135.22** provides that subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State. The Treasurer of State issues a certificate indicating the treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State. Such notice must be certified by the Treasurer of State and must provide that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only:

- Interim deposits pursuant to Ohio Rev. Code § 135.14(B)(3);
- STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6); or
- No-load money market mutual funds pursuant to Ohio Rev. Code § 135.14(B)(5).

The Fiscal Officer did not complete continuing education programs for 2017 and 2016 provided by the Treasurer of State, nor did the Fiscal Officer file an exemption annually to the Auditor of State, certified by the Treasurer of State, stating the Fiscal Officer is not subject to the continuing education requirements due to inadequate policies and procedures related to continuing education. Failing to complete the required training or exemption could result in improper investments.

The Fiscal Officer should either attend training or obtain an exemption certified by the Treasurer of State and file such with the Auditor of State.

<b><i>Finding Number</i></b>	<b>2017-011</b>
------------------------------	-----------------

**Noncompliance Citation – Remittance of OPERS Contributions**

**Ohio Rev. Code § 145.47** requires the fiscal officer of each local authority to transmit promptly to the Ohio Public Employees Retirement System (OPERS) a report of member deductions at such intervals and in such form as the board requires, showing all deductions for the public employees retirement system made from the earnable salary of each member employed, together with warrants, checks, or electronic payments covering the total of such deductions.

Due to inadequate policies and procedures over OPERS remittances, in 2017, the Fiscal Officer did not remit \$205 in OPERS employee withholdings and required employer share for the April 2017 gross wages of the Village's maintenance employee. Failing to remit the required amounts could result in fines and penalties.

The Fiscal Officer should contact OPERS to determine the proper amounts have been remitted, and in the future remit all OPERS contributions in a timely manner. In addition, Village Council should periodically review payroll transactions to help ensure withholdings are being remitted timely. This matter will be referred to OPERS for any action they deem necessary.

<b><i>Finding Number</i></b>	<b>2017-012</b>
------------------------------	-----------------

**Noncompliance Citation – Records Retention Policy and Schedules**

**Ohio Rev. Code § 149.39** authorizes the establishment of a records commission in each municipal corporation which is composed of the chief executive or the chief executive's appointed representative, as chairperson, and the chief financial officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary, who may or may not be a member of the commission and who shall serve at the pleasure of the commission. The commission may employ an archivist or records manager to serve under its direction. The commission shall meet at least once every six months and upon the call of the chairperson. The functions of the commission shall be to provide rules for retention and disposal of records of the municipal corporation, and to review applications for one-time disposal of obsolete records and schedules of records retention and disposition submitted by municipal offices. The commission may dispose of records pursuant to the procedure outlined in section 149.381 of the Revised Code. The commission, at any time, may review any schedule it has previously approved and, for good cause shown, may revise that schedule under the procedure outlined in that section.

Furthermore, **Ohio Rev. Code § 149.43(B)(2)** provides that a public office shall have available a copy of its current records retention schedule at a location readily available to the public. Also, per **Ohio Rev. Code § 149.381**, any application or schedule for the destruction of records must be sent to the Ohio History Connection for review to determine whether any of the records are of historical value. Once reviewed by the Ohio History Connection, the applications are then forwarded to the Ohio Auditor of State's Office for final approval.

Due to deficiencies in policies and procedures over records retention, the Village does not have a formal records retention policy, including schedules of record retention and disposition of obsolete records. Failing to adopt a formal policy could result in records being improperly maintained or disposed of.

The Village should adopt a formal records retention policy, which includes provisions for the application or schedule for destruction of public records, including transmission to the Ohio History Connection and approval by the Auditor of State's Office pursuant to Ohio Rev. Code § 149.381.

<b><i>Finding Number</i></b>	<b>2017-013</b>
------------------------------	-----------------

**Noncompliance Citation – Public Records Policy and Required Training**

**Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1)** require that officials elected to statewide or local office, or their designees, receive three hours of Public Records training for each term of office. The training received must be certified by the Ohio Attorney General. Proof that training has been completed must include documentation that either the Attorney General’s office or another entity certified by the Attorney General provided the training the elected official received. Attendees who successfully complete the training will receive a certificate to serve as proof of training. In addition, all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the Attorney General under section 109.43 of the Revised Code.

Furthermore, **Ohio Rev. Code § 149.43(E)(2)** requires the public office to distribute the public records policy adopted by the public office under division (E)(1) of this section to the employee of the public office which is the records custodian or records manager or otherwise has custody of the records of the office. The public office shall require that employee to acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet website of the public office if the public office maintains an internet website. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook.

Due to deficiencies in internal policies and procedures over compliance with public records laws, none of the Village’s elected officials, or their designees, attended the required Public Records training during the engagement period. Additionally, the Village has not adopted the required public records policy.

This situation could result in elected officials not being properly informed of public records requirements. In addition, the lack of public records policy could lead to the Village not properly responding to public records requests without proper guidelines to follow.

The designated officials should receive training on public records laws during each term of office and retain the certificate from the Attorney General or from another entity certified by the Attorney General as proof of training. Additionally, the Village should also establish the required public records policy to address, but not limited to, the following:

- What records are to be made available
- Times when records may be reviewed
- Costs for copies to be made.

The Village should make sure the records custodian/manager has been provided a copy of the policy and acknowledge receipt of the policy. The policy should also be posted in a conspicuous place in the public office. The policy may include a records retention schedule and be readily available to the public.



<b><i>Finding Number</i></b>	<b>2017-014</b>
------------------------------	-----------------

**Noncompliance Citation – Annual Auditor of State Training for Continuing Fiscal Officers**

**Ohio Rev. Code § 733.27(B)** requires that village fiscal officers attend training programs for new fiscal officers and annual training programs of continuing education for continuing village fiscal officers that are provided by the Auditor of State pursuant to Ohio Rev. Code § 117.44.

Due to deficiencies in policies and procedures over monitoring compliance with attending required trainings, the Fiscal Officer attended no continuing education programs provided by the Auditor of State during 2017 or 2016. The lack of continuing education may have contributed to the numerous posting errors that occurred.

The Fiscal Officer should attend annual continuing education training programs provided by the Auditor of State's Office.

<b><i>Finding Number</i></b>	<b>2017-015</b>
------------------------------	-----------------

**Noncompliance Citation – Destruction of Records/Supporting Documentation**

**Ohio Rev. Code § 149.351(A)** provides, in part, that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, except as provided by law.

Due to deficiencies in maintaining public records, there was no evidence of supporting documentation for the following records:

- The invoice for the new Emergency Medical Services (EMS) ambulance purchased in 2017.
- \$1,000 donation from the Cooper Farms Hatchery in 2016.

Lack of adequate documentation to support financial statement transactions could result in incomplete or inaccurate financial records being maintained and/or amounts being misappropriated.

The Village should ensure all records are adequately safeguarded and retained in accordance with the Ohio Rev. Code and the Village's records retention policy and schedules.

<b><i>Finding Number</i></b>	<b>2017-016</b>
------------------------------	-----------------

**Internal Control Deficiency – Posting Estimated Amounts in Financial Ledgers**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

In 2017 and 2016, the Village did not have procedures in place to accurately post authorized budgetary measures to the manual receipt and appropriation ledgers. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the manual appropriation ledger. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the manual receipt ledger.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

<b><i>Finding Number</i></b>	<b>2017-017</b>
------------------------------	-----------------

**Noncompliance Citation – OWDA Loan Agreements Debt Covenants**

**Ohio Water Development Authority (OWDA) Loan Agreements § 4.3 (a)** requires that the Village, from and after the completion and placement into operation of the Project Facilities, will at all times prescribe and charge such rates for the services of the System as shall result in Pledged Revenues at least adequate to provide for the payments required by section 4.1 of the loan agreement.

The Village did not charge sufficient rates to generate adequate revenues to provide for the debt payments and operating costs of the sewer system. In 2017 and 2016, the Village had a loss of \$23,567 and \$31,449, respectively, in the Sewer Operating Fund. The Sewer Debt Service Fund also had a loss of \$85 in 2017.

Losses in the Sewer Operating Fund and Sewer Debt Service Fund occurred because sewer rates were not sufficient to cover debt payments and sewer operating expenses. Failing to generate enough revenue to pay debt could result in a default on the debt.

The Village should review the OWDA agreements and comply with the loan covenant of charging adequate rates. In addition, Village Council should either develop a plan to either lower sewer operating costs or increase sewer rates in order to have adequate funds to pay the amounts per the OWDA agreements.

<b><i>Finding Number</i></b>	<b>2017-018</b>
------------------------------	-----------------

**Noncompliance Citation – Remittance of Mayor’s Court Costs**

**Ohio Rev. Code § 2949.091(A)(1)(a)** requires a court in which any person is convicted of or pleads guilty to any offense to 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:

- Thirty dollars if the offense is a felony;
- Twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violation;
- 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. The court shall not waive the payment of the additional thirty-, twenty-, or ten-dollar court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

In addition, **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:

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

The court shall not waive the payment of the thirty or nine dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender. All such moneys shall be transmitted on the first business day of each month by the clerk of the court to the treasurer of state and deposited by the treasurer in the reparations fund.

**Ohio Rev. Code § 2949.094(A)** also requires the court in which any person is convicted of or pleads guilty to any moving violation to 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 or municipal indigent drivers alcohol treatment fund under the control of that court, as created by the county or municipal corporation under division (H) of § 4511.191 of the Revised Code;
- 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 one case in 2017 and three cases in 2016 where the \$20 court cost was collected from defendants for a total amount of \$80, 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 one case in 2017 and three cases in 2016 involving misdemeanor offenses in which the \$9 cost was collected from defendants for a total amount of \$36, 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 one case in 2017 and three cases in 2016 involving misdemeanor offenses in which the defendant was either convicted or pled guilty to moving traffic violations, for a total amount of \$40, of which \$0.40 should have been credited to the Justice Program Services Fund created under § 5502.67 of the Revised Code, \$20 to the Indigent Defense Support Fund created under § 120.08 of the Revised Code, \$6 to the Paulding County Courts' Indigent Drivers Alcohol Treatment Fund created under division (H) of § 4511.191 of the Revised Code, and \$13.60 to the Drug Law Enforcement Fund created under § 5502.68 of the Revised Code. None of the \$40 in court costs were remitted to their proper funds.

The Village owes \$150 to the State of Ohio Treasury, (\$100 to the Indigent Defense Support Fund, \$36 to the Reparations Fund, \$0.40 to the Justice Program Service Fund, \$13.60 to the Drug Law Enforcement Fund) and \$6 to the Paulding County Courts' Indigent Drivers Alcohol Treatment Fund.

These errors were the result of inadequate policies and procedures in reviewing Mayor's Court activity. The lack of controls over the calculation of remittances for Mayor's Court costs increases the risk of undetected errors or irregularities.

The Village should implement controls to help ensure all Mayor's Court transactions are reviewed to help ensure calculation and remittance of Mayor's Court collections. Additionally, the Fiscal Officer should disburse from the Agency Mayor's Court Fund totaling \$150 to the State of Ohio Treasurer (\$100 to the Indigent Defense Support Fund, \$36 to the Reparations Fund, \$0.40 to the Justice Program Service Fund, and \$13.60 to the Drug Law Enforcement Fund) and \$6 to the Paulding County Courts' Indigent Drivers Alcohol Treatment Fund.

<b><i>Finding Number</i></b>	<b>2017-019</b>
------------------------------	-----------------

**Noncompliance Citation – Mayor's Court Records**

**Ohio Rev. Code § 1905.21** provides the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket. The mayor shall account for and dispose of all such fines, forfeitures, fees, and costs he collects, including all such fines, forfeitures, fees, and costs that are transferred to him by a mayor's court magistrate, as provided in section 733.40 of the Revised Code. Furthermore, **Ohio Rev. Code § 733.40** requires the mayor of a village, at the first regular meeting of the Village Council each month, to submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

Due to deficiencies in internal policies and procedures in the Mayor's Court, the Mayor did not maintain a cashbook and docket of the Mayor's Court activity and did not provide any statements to the Village Council for 2017 and 2016. In addition, Mayor's Court ticket payments posted to the Village's manual cashbook ledgers and receipts did not always provide sufficient documentation as to who paid the ticket or the ticket number. In addition, ticket payments were not always posted to the manual receipt ledgers. Failing to maintain the required documentation could result in improper collection and distribution of fines.

In order to provide a more accurate accounting of the revenue, disbursements, and balances of the Mayor's Court and to properly account for the tickets and distributions, the Mayor should record all transactions in a cashbook and a docket to record the financial transactions of the Mayor's Court. The Mayor should also submit a written statement at the first Village Council meeting each month listing the total amount of money that Mayor's Court received, the date the money was deposited into the Village depository, and the date the money was distributed.

<b><i>Finding Number</i></b>	<b>2017-020</b>
------------------------------	-----------------

**Noncompliance Citation – Overpayment of Compensation**

**Village of Grover Hill Ordinance 08-12-09** provides that the Mayor is to be compensated \$450 a month or \$5,400 a year for his duties as Village Mayor and each Council Member is to be compensated \$50 for each Council meeting attended.

During 2017 and 2016, the Village withheld 4 percent from the Mayor’s wages for his contribution to Social Security of the required 6.2 percent. The total amount of Social Security withheld from the Mayor’s wages was \$216 and \$227 in 2017 and 2016, respectively. The Village should have withheld \$335 in both 2017 and 2016.

There was no evidence Council elected to compensate the Mayor 2.2 percent of his employee portion of Social Security. As such, the Mayor was over compensated \$119 and \$108 in 2017 and 2016, respectively.

Additionally, a Council Member was over compensated \$50 since she was compensated for attending 11 meetings instead of the 10 meetings actually attended in 2017.

The Village should withhold the correct Social Security employee contribution amount of 6.2 percent from the gross wages of employees and officials and only compensate Village Council Members for actual meetings attended during the year. The Village should also recover the amount of over compensation paid in 2016 and 2017.

<b><i>Finding Number</i></b>	<b>2017-021</b>
------------------------------	-----------------

**Internal Control Deficiency – Monitoring of Financial Activity**

In our engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

While the Village Council (and Finance Committee) does review the bills for payment, there was no evidence of the extent to which Council (or the Finance Committee) reviewed other financial information to monitor financial activity, including review of the monthly bank statements and reconciliations, detail receipts or appropriations ledgers, fund balance ledgers, and budgetary reports provide budget to actual comparisons for either receipts or disbursements. The lack of financial monitoring by the Village officials contributed to errors occurring without detection in the accompanying 2017 and 2016 financial statements as follows:

- Community Development Block Grant (CDBG), Ohio Public Works Commission (OPWC), and Ohio Department of Transportation (ODOT) on-behalf of grants, loan proceeds, capital outlay disbursements, and appropriations totaling \$985,322 and \$16,250 were not recorded in the Capital Projects Fund in 2017 and 2016, respectively.
- In 2017, an anonymous donation of \$111,015, which was paid directly to the vendor on behalf of the Village for an ambulance was not recorded as miscellaneous revenue and capital outlay in the Special Revenue Emergency Medical Services Fund.

- In 2017, insurance recovery monies amounting to \$21,403 were incorrectly classified as charges for services instead of miscellaneous revenue in the Enterprise Sewer Operating Fund.
- In 2017, \$10,318 in transportation related disbursements were incorrectly classified as general government disbursements in the General Fund.
- In 2017, \$1,092 in Mayor’s Court disbursements were incorrectly classified as contractual services instead of other financing uses in the Agency Mayor’s Court Fund.
- In 2017 and 2016, Mayor’s Court receipts totaling \$160 and \$480 were incorrectly classified as fines, license, and permits instead of other financing sources.
- In 2017 and 2016, General Fund subsequent year appropriations in excess of estimated receipts was incorrectly classified as unassigned instead of assigned fund balance by \$16,130 and \$17,900, respectively.
- In 2017, expenditures in the budgetary note to the financial statements were understated in the Special Revenue Fund by \$67,365.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village’s financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village’s financial statements and notes to the statements are complete and accurate, the Village should implement, at a minimum, the following internal controls:

- The Fiscal Officer should post all transactions in accordance with guidance established in the Village Officer’s Handbook.
- The Village Council (or the Finance Committee) should regularly review detail financial information to monitor financial activity, including review of the monthly statements and reconciliation, detail receipts and appropriation ledgers, and fund balance ledgers as well as budget versus actual reports as part of their review of monthly financial information; their review and approval should be documented in the minutes as evidence of the financial records reviewed.
- The Village should adopt policies and procedures, including a final review of the annual financial statements and notes by the Fiscal Officer and the Finance Committee, to identify and correct errors and omissions.
- Management officials should also review the Auditor of State’s Audit Bulletin 2011-004 and monitor the financial statements for inclusion of the proper GASB 54 disclosures.

<b><i>Finding Number</i></b>	<b>2017-022</b>
------------------------------	-----------------

**Internal Control Deficiency – Timely Deposits**

Public money should be deposited with the treasurer of the public office or to a designated depository on the business day following the date of receipt.

In addition, if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices can adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit should be made no later than 3 business days after receiving it. Only the legislative authority (Council) may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official should then deposit the money on the first business day following the date of receipt.

Depositing and receipting public monies timely, is necessary to safeguard the public monies, and to accurately reflect the financial position of the Village.

The following exceptions were noted regarding the deposit of Village receipts:

- In 2017 and 2016, 100% of the Special Revenue Fund miscellaneous receipts tested were not deposited timely.
- In 2017, 100% of the miscellaneous receipts in the Enterprise Fund were not deposited timely.
- In 2017 and 2016, 100% of the Special Revenue Fund fire and contract payments tested were not deposited timely.
- In 2017 and 2016, 60% and 50%, respectively, in Special Revenue charges for services (EMS runs) transactions tested were not deposited timely.
- In 2017 and 2016, 100% of the Mayor's Court receipts tested in the Agency Fund were not deposited timely.
- In 2017 and 2016, 100% of the sewer utility receipts tested were not deposited timely.

These errors were due to inadequate policies and procedures over the monitoring and depositing of receipts. Failing to deposit public funds timely could lead to funds being lost, stolen or unaccounted for.

The Fiscal Officer should deposit receipts by the next business day following collection or the Village Council should establish a depositing policy meeting the three day requirement.

<b><i>Finding Number</i></b>	<b>2017-023</b>
------------------------------	-----------------

**Internal Control Deficiency – Finance Committee**

The Village should establish and audit or other similar (Finance) committee to serve as liaison between management and its auditors and to follow up on citations and recommendations from the previous year.

Although the Village Council has established a finance committee, they failed to document when the committee met or what the committee reviewed. The committee should be actively involved in:

- Meeting with the Village's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance; and
- Ensuring internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

Failing to meet as a committee and follow up on audit results could result in issues identified in previous engagements not being corrected timely.

In order to help ensure the finance committee monitoring controls have been implemented and that citations and recommendations have been corrected and implemented, the finance committee should meet at least on a quarterly basis. Minutes should be taken as to when the committee meets, what financial documents have been reviewed, and any actions taken. Pertinent financial information can also be reviewed in conjunction with what is presented to Council.

<b><i>Finding Number</i></b>	<b>2017-024</b>
------------------------------	-----------------

**Internal Control Deficiency – Policy Manual**

The Village should have a comprehensive policy manual to provide guidance to management in handling day to day activities. Such policies should, at minimum, address employment; mileage and travel expense reimbursements; credit card usage; ethics; prohibited political activity; public records; and use of Village-owned vehicles and equipment.

Due to deficiencies in internal policies and procedures, the Village does not have written policies. Failing to adopt written policies could result in the unallowable use of Village property or funds.

The Village should consider developing policies covering, but not limited to the following areas:

- An employment policy which should address the hiring process (e.g. application acceptance, interview procedures, background checks and employment of family members).
- A travel policy which should indicate the persons authorized to travel for the Village, the types and maximum amounts (e.g. per diem) of reimbursements that will be allowed, the effective mileage reimbursement rate, non-reimbursable expenditures (such as alcoholic beverages, gratuities, personal expenses (e.g. laundry, entertainment), and expenses related to spouses or family members), and the process of reimbursement (e.g. requiring original receipts for all expenses submitted for reimbursement).
- A credit/purchasing card policy should indicate the persons authorized to use the cards and what types of purchases are allowable.
- An ethics policy which describes the ethical behavior expected of employees. This would also include disciplinary procedures.
- A prohibited political activity policy which includes applicable requirements as established by the Ohio Revised Code.
- A public records policy which includes applicable requirements as established by the Ohio Revised Code.
- A vehicle and equipment policy which indicates the persons authorized to use the Village's vehicles and/or equipment and maintain the vehicles and/or equipment at their personal residence. The policy should also include that vehicles and equipment should be used for Village related purposes only.

<b><i>Finding Number</i></b>	<b>2017-025</b>
------------------------------	-----------------

**Internal Control Deficiency – Emergency Medical Services (EMS) Billings and Delinquencies**

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Village entered into a billing service agreement in 2016 with The AccuMed Group, the third party administrator (TPA) who handles the billings of the Village’s EMS runs. However, the following deficient policies and procedures were identified related to emergency medical services (EMS) run billings and delinquencies:



- There was no evidence of formal approval establishing the rates to be charged by the TPA.
- There was no formal approval of billing and collection procedures for EMS runs, via ordinance, including the following:
  - i. Instances when an EMS run would not be billed (e.g. no insurance information could be obtained from the patient for billing purposes).
  - ii. Procedures for following up on delinquent payments (e.g. use of a collection agency).
  - iii. Procedures for writing off uncollectible accounts (e.g. amounts not covered by Medicare, Medicaid, or the insurance company, amounts not paid by the patient, or nonpayment).
- The Village did not receive billing reports from the TPA; therefore, EMS runs were not being properly monitored. There was no comparison being performed to determine that all the appropriate EMS run sheets had been submitted to the TPA and that the TPA was properly billing and collecting for EMS services. As such, there were 43 EMS runs in 2016 and 19 EMS runs in 2017 which do not appear to have been billed by the TPA.
- The Village did not receive payment "status" reports from the TPA that indicated the patient's account had an outstanding balance so the Village could not readily determine when patient accounts should have been considered delinquent and/or uncollectible.
- Council did not periodically review EMS collection reports and delinquent reports to ensure collections were being made.

By not properly monitoring the billing and collections of EMS runs, this could result in a loss of revenue to the Village.

In order to help ensure the Village is properly billing and collecting for its EMS services and to provide better accountability of EMS charges owed by patients, the following procedures should be implemented:

- Village Council should adopt an ordinance establishing the rates and procedures for collecting EMS billings, which should include, at a minimum, the following:
  - i. Rates for each type of EMS service provided.
  - ii. Procedures for billing, including instances when an EMS run will not be billed (e.g. no insurance information available from the patient for billing purposes) and a system to document such instances and the criteria where payments remitted by Medicare, Medicaid, or the health insurance company would constitute a payment in full on a patient account.
  - iii. Procedures for following up on delinquent payments (e.g. use of a collection agency).
  - iv. Procedures for writing off uncollectible accounts (e.g. amounts not covered by Medicare, Medicaid, or the insurance company, amounts not paid by the patient, or nonpayment).
- The Village should request the TPA to provide billing reports to the Village to periodically monitor EMS runs. The billing reports should be compared to the EMS run sheets to verify that all the appropriate EMS run sheets have been submitted to the TPA and that the TPA is properly billing and collecting for EMS services to help ensure completeness of EMS billings.
- The Village should also request the TPA provide payment "status" reports that indicate the patient's account has an outstanding balance to periodically determine if the patient account should be considered a delinquent account or written off as uncollectible.
- Council should periodically review EMS collection reports and delinquent reports to ensure collections are being made. Any delinquencies written off should be approved in the minutes.

**Officials' Response:**

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

**VILLAGE OF GROVER HILL, OHIO**  
**PAULDING COUNTY**  
**301 West Walnut Street**  
**Grover Hill, Ohio 45849**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	This finding was first reported in 2009. Material weakness for emergency medical service (EMS) run billings.	Partially corrected. Reissued as finding 2017-025 in this report.	The client declined to offer an explanation why the finding reoccurred.
2015-002	This finding was first reported in 2013. Material weakness and noncompliance on Ohio Rev. Code § 5705.10(D) for monies posted to incorrect funds and deficit fund balances in the Sewer Operating Fund.	Not corrected and reissued as finding 2017-001 in this report.	The client declined to offer an explanation why the finding reoccurred.
2015-003	This finding was first reported in 2007. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as finding 2017-021 in this report.	The client declined to offer an explanation why the finding reoccurred.
2015-004	This finding was first reported in 2013. Ohio Water Development Authority (OWDA) Loan Agreements § 4.3(b) and 4.3(a) for not filing annual reports with OWDA and not charging sufficient rates to generate adequate revenues to cover debt payments and sewer operating costs.	Partially corrected. Reissued as finding 2017-017 in this report.	The client declined to offer an explanation why the finding reoccurred.
2015-005	This finding was first reported in 1999. Material weakness and noncompliance on Ohio Rev. Code § 5705.41(D)(1) for not properly certifying disbursements.	Not corrected and reissued as finding 2017-005 in this report.	The client declined to offer an explanation why the finding reoccurred.
2015-006	This finding was first reported in 2013. Material weakness and noncompliance on Ohio Admin. Code § 117-2-02(C)(1) for not posting estimated amounts in the Village's financial ledgers.	Not corrected and reissued as finding 2017-016 in this report.	The client declined to offer an explanation why the finding reoccurred.
2015-007	Ohio Rev. Code § 5705.39 for appropriations in excess of estimated resources.	Corrective action taken and finding is fully corrected.	

Village of Grover Hill  
Paulding County  
Summary Schedule of Prior Findings  
Page 2

2015-008	This finding was first reported in 2011. Ohio Rev. Code § 5705.41(B) for expenditures in excess of appropriations.	Not corrected and reissued as finding 2017-004 in this report.	The client declined to offer an explanation why the finding reoccurred.
2015-009	This finding was first reported in 2009. Ohio Rev. Code § 2949.091(A)(1)(a), § 2743.70(A)(1), and § 2949.094(A) for not remitting costs to the Treasurer of State or Paulding County for traffic tickets.	Not corrected and reissued as finding 2017-018 in this report.	The client declined to offer an explanation why the finding reoccurred.

**This page intentionally left blank.**

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
FEBRUARY 14, 2019**