



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF GROVER HILL
PAULDING COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Report of Independent Accountants | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2001 | 4 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2000 | 6 |
| Notes to the Financial Statements | 7 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 13 |
| Schedule of Findings..... | 15 |
| Schedule of Prior Audit Findings | 18 |

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Grover Hill (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

May 23, 2002

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$15,696 | \$6,175 | \$21,871 |
| Intergovernmental Receipts | 23,452 | 17,560 | 41,012 |
| Charges for Services | | 24,537 | 24,537 |
| Earnings on Investments | 13,964 | 240 | 14,204 |
| Miscellaneous | | 4,406 | 4,406 |
| | <u>53,112</u> | <u>52,918</u> | <u>106,030</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 2,083 | 31,777 | 33,860 |
| Basic Utility Services | 1,783 | | 1,783 |
| Transportation | | 6,731 | 6,731 |
| General Government | 34,356 | 214 | 34,570 |
| Capital Outlay | | 7,254 | 7,254 |
| | <u>38,222</u> | <u>45,976</u> | <u>84,198</u> |
| Total Receipts Over Disbursements | 14,890 | 6,942 | 21,832 |
| Fund Cash Balances, January 1 | <u>56,170</u> | <u>80,751</u> | <u>136,921</u> |
| Fund Cash Balances, December 31 | <u>\$71,060</u> | <u>\$87,693</u> | <u>\$158,753</u> |
| Reserves for Encumbrances, December 31 | <u> </u> | <u> </u> | <u> </u> |

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | Proprietary Fund Type |
|--|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$85,764 |
| Operating Cash Disbursements: | |
| Personal Services | 2,721 |
| Contractual Services | 29,058 |
| Supplies and Materials | 7,580 |
| Capital Outlay | 9,679 |
| Total Operating Cash Disbursements | 49,038 |
| Operating Income | 36,726 |
| Non-Operating Cash Receipts: | |
| Proceeds from Notes and Bonds | 4,425 |
| Non-Operating Cash Disbursements: | |
| Debt Service | 56,455 |
| Net Disbursements Over Receipts | (15,304) |
| Fund Cash Balances, January 1 | 270,573 |
| Fund Cash Balances, December 31 | \$255,269 |
| Reserve for Encumbrances, December 31 | |

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$14,977 | \$4,925 | \$19,902 |
| Intergovernmental Receipts | 23,289 | 16,119 | 39,408 |
| Charges for Services | | 24,537 | 24,537 |
| Earnings on Investments | 9,101 | 240 | 9,341 |
| Miscellaneous | 43 | 2,873 | 2,916 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 47,410 | 48,694 | 96,104 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 1,415 | 28,262 | 29,677 |
| Public Health Services | 90 | | 90 |
| Transportation | 677 | 3,554 | 4,231 |
| General Government | 34,659 | 181 | 34,840 |
| Capital Outlay | | 14,999 | 14,999 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 36,841 | 46,996 | 83,837 |
| Total Receipts Over Disbursements | 10,569 | 1,698 | 12,267 |
| Fund Cash Balances, January 1 | 45,601 | 79,053 | 124,654 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$56,170</u> | <u>\$80,751</u> | <u>\$136,921</u> |
| Reserves for Encumbrances, December 31 | | <u>\$7,958</u> | <u>\$7,958</u> |

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | Proprietary Fund Type |
|--|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$87,707 |
| Operating Cash Disbursements: | |
| Personal Services | 2,588 |
| Contractual Services | 25,776 |
| Supplies and Materials | 2,483 |
| Total Operating Cash Disbursements | 30,847 |
| Operating Income | 56,860 |
| Non-Operating Cash Disbursements: | |
| Debt Service | 78,148 |
| Net Disbursements over Receipts | (21,288) |
| Fund Cash Balances, January 1 | 291,861 |
| Fund Cash Balances, December 31 | \$270,573 |
| Reserve for Encumbrances, December 31 | |

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Fire Protection Fund – This fund receives revenue from property taxes to provide fire services to Village residents. Additional revenues are derived from fire contracts with surrounding Townships to provide fire services to their residents, as well.

EMS Levy Fund – This fund receives revenue from property taxes to provide EMS services to Village residents. Additional revenues are derived from EMS contracts with surrounding Townships to provide EMS services to their residents, as well.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Retirement Fund – This fund receives charges from services from residents to retire an OWDA loan.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2001 | 2000 |
|-------------------------|-------------|-------------|
| Demand deposits | \$209,153 | \$306,683 |
| Certificates of deposit | 204,869 | 100,811 |
| Total deposits | \$414,022 | \$407,494 |

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

At December 31, 2001 and 2000, \$109,152 and \$103,779 respectively, of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General | \$45,000 | \$53,112 | \$8,112 |
| Special Revenue | 62,000 | 52,918 | (9,082) |
| Enterprise | 89,000 | 90,189 | 1,189 |
| Total | \$196,000 | \$196,219 | \$219 |

2001 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Budgeted Expenditures | Actual Expenditures | Variance |
|-----------------|--------------------------|------------------------|----------|
| General | \$46,095 | \$38,222 | \$7,873 |
| Special Revenue | 53,343 | 45,976 | 7,367 |
| Enterprise | 104,100 | 105,493 | (1,393) |
| Total | \$203,538 | \$189,691 | \$13,847 |

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2000 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------------|
| General | \$42,000 | \$47,410 | \$5,410 |
| Special Revenue | 44,500 | 48,694 | 4,194 |
| Enterprise | 88,000 | 87,707 | (293) |
| Total | <u>\$174,500</u> | <u>\$183,811</u> | <u>\$9,311</u> |

2000 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Budgeted Expenditures | Actual Expenditures | Variance |
|-----------------|--------------------------|------------------------|-----------------|
| General | \$44,550 | \$36,841 | \$7,709 |
| Special Revenue | 48,100 | 54,954 | (6,854) |
| Enterprise | 124,300 | 108,995 | 15,305 |
| Total | <u>\$216,950</u> | <u>\$200,790</u> | <u>\$16,160</u> |

4. COMPLIANCE

The Village did not certify disbursements as required by Ohio Revised Code § 5705.41(D).

Actual expenditures exceeded appropriations in the following funds at the dates indicated:

| Fund | Amount Appropriated | Amount Expended | Expenditures in Excess of Appropriations |
|---|------------------------|--------------------|--|
| December 31, 2001 | | | |
| Street Construction Maintenance and Repair Fund | \$13,000 | \$14,202 | \$1,202 |
| Emergency Medical Service Fund | 6,035 | 6,872 | 837 |
| Sewer Debt Retirement Fund | 52,000 | 56,455 | 4,455 |
| December 31, 2000 | | | |
| Street Construction Maintenance and Repair Fund | 10,500 | 11,305 | 805 |
| Emergency Medical Service Fund | 13,550 | 20,620 | 7,070 |

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|-----------|---------------|
| Ohio Water Development Authority Loan | \$668,560 | 2% |

Proceeds from the Ohio Water Development Authority (OWDA) Loan were used to construct a wastewater facility. The amount financed by OWDA in October 1989 was \$1,015,818. The Village is required to make semi-annual payments in the amount of \$26,015 through December 2016. The Village has set utility rates sufficient to cover OWDA debt service requirements.

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

| Year ending December 31: | OWDA Loan |
|--------------------------|-----------|
| 2002 | \$52,030 |
| 2003 | 52,030 |
| 2004 | 52,030 |
| 2005 | 52,030 |
| 2006 | 52,030 |
| 2007 – 2016 | 520,303 |
| Total | \$780,453 |

7. RETIREMENT SYSTEMS

Some of the Village’s part-time employees and officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000 PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants’ gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

Three part-time Village employees have selected Social Security, rather than PERS. The village’s liability is 6.2 percent of wages paid. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio (“PEP”), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| <u>Casualty Coverage</u> | <u>2000</u> | <u>1999</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$17,112,129 | \$15,295,389 |
| Liabilities | 7,715,035 | 6,636,543 |
| Retained earnings | <u>\$9,397,094</u> | <u>\$8,658,846</u> |

| <u>Property Coverage</u> | <u>2000</u> | <u>1999</u> |
|--------------------------|--------------------|------------------|
| Assets | \$1,575,614 | \$1,118,222 |
| Liabilities | 281,561 | 279,871 |
| Retained earnings | <u>\$1,294,053</u> | <u>\$838,351</u> |

9. SUBSEQUENT EVENTS

On April 11, 2002 the Village approved a contract for \$495,000 for sewer system improvements.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Grover Hill (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30263-001, 2001-30263-002 and 2001-30263-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted an instance involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-30263-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 23, 2002.

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 23, 2002

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30263-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Village Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

None of the transactions tested received prior certification nor were they certified using a then-and-now certification. Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended. To improve controls over disbursements we recommend all Village disbursements receive prior certification of the Clerk and that the Village Council periodically review the expenditures made to ensure they are properly certified by the Clerk and recorded against appropriations.

FINDING NUMBER 2001-30263-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been lawfully appropriated.

**FINDING NUMBER 2001-30263-002
 (Continued)**

Actual expenditures exceeded appropriations in the following funds at the dates indicated:

| <u>Fund</u> | <u>Amount Appropriated</u> | <u>Amount Expended</u> | <u>Expenditures in Excess of Appropriations</u> |
|---|--------------------------------|----------------------------|---|
| December 31, 2001 | | | |
| Street Construction Maintenance and Repair Fund | \$13,000 | \$14,202 | \$1,202 |
| Emergency Medical Service Fund | 6,035 | 6,872 | 837 |
| Sewer Debt Retirement Fund | 52,000 | 56,455 | 4,455 |
| December 31, 2000 | | | |
| Street Construction Maintenance and Repair Fund | 10,500 | 11,305 | 805 |
| Emergency Medical Service Fund | 13,550 | 20,620 | 7,070 |

The Clerk/Treasurer should not issue purchase orders or checks for expenditures that would exceed appropriations. The Clerk/Treasurer should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2001-30263-003

Noncompliance Citation

Ohio Revised Code § 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged security.

The Village's deposits exceeded depository insurance and pledged collateral throughout the audit period, including, \$109,152 and \$103,779 at December 31, 2001 and 2000, respectively. We recommend management regularly review collateral on deposits to ensure the market value of eligible securities held by qualified trustees sufficiently cover all bank deposits.

FINDING NUMBER 2001-30263-004

Material Weakness - Sewer Accounts Not Included on Village Books

The Village maintained a checking account, savings account, and a money market savings account which were not included in the balance of the Sewer Fund and the Village also maintained two certificates of deposit which were not included in the balance of the Sewer Debt Retirement Fund. In addition, the interest earned on these accounts was not credited to the General Fund as required by Ohio law. This resulted in the General Fund, Sewer Fund and the Sewer Debt Retirement Fund balances being understated by the following amounts:

| | <u>2000</u> | <u>2001</u> |
|----------------------------|-------------|-------------|
| General Fund | \$6,508 | \$7,666 |
| Sewer Fund | 109,558 | 109,558 |
| Sewer Debt Retirement Fund | 97,929 | 97,929 |

FINDING NUMBER 2001-30263-004
(Continued)

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|------------------|--|
| 1999-30263-001 | Revised Code § 135.18, lack of sufficient collateral | No | Finding repeated in this report as finding 2001-30263-003 |
| 1999-30263-002 | Revised Code § 5705.41(D), failure to certify funds | No | Finding repeated in this report as finding 2001-30263-001 |
| 1999-30263-003 | Revised Code § 5705.41(B), expenditures exceeding appropriations | No | Finding repeated in this report as finding 2001-30263-002 |
| 1999-30263-004 | Sewer accounts not included in cashbook balance | No | Finding repeated in this report as finding 2001-30263-004 |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JUNE 25, 2002**