



**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF GROVER HILL  
PAULDING COUNTY

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Mary Taylor, CPA  
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

**June 14, 2010**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Grover Hill, Paulding County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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.

Except as discussed in the following paragraph, 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.

We were not able to obtain sufficient evidence to ensure completeness of emergency medical services charges for services revenue for the years ended December 31, 2009 and 2008 and bulk sewer charges for services revenues for the year ended December 31, 2008. The emergency medical services charges for services comprised sixteen and thirteen percent of the Special Revenue Fund revenues for the years ended December 31, 2009 and 2008, respectively. Bulk sewer septic charges for services revenue comprised thirty percent of the Enterprise fund revenues for the year ended December 31, 2008.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to ensure completeness of emergency medical services charges for services for the years ended December 31, 2009 and 2008 and bulk sewer charges for service revenues for the year ended December 31, 2008, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Grover Hill, Paulding County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

June 14, 2010



**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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$15,329	\$8,880		\$24,209
Intergovernmental	21,696	22,006	\$12,791	56,493
Charges for Services		43,469		43,469
Fines, Licenses and Permits	5,747			5,747
Earnings on Investments	2,386	100		2,486
Miscellaneous	500	115		615
	45,658	74,570	12,791	133,019
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	6,280	41,877		48,157
Public Health Services	95			95
Transportation	71	14,296		14,367
General Government	38,707	239		38,946
Capital Outlay		5,494	12,791	18,285
	45,153	61,906	\$12,791	119,850
Total Receipts Over Disbursements	505	12,664		13,169
Fund Cash Balances, January 1	(9,780)	197,674		187,894
<b>Fund Cash Balances, December 31</b>	<b>(\$9,275)</b>	<b>\$210,338</b>		<b>\$201,063</b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$94,816
Miscellaneous	1,017
	95,833
<b>Operating Cash Disbursements:</b>	
Personal Services	7,986
Contractual Services	36,441
Supplies and Materials	14,769
	59,196
Total Operating Cash Disbursements	59,196
Operating Income	36,637
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	31,114
Interest and Other Fiscal Charges	7,754
	38,868
Total Non-Operating Cash Disbursements	38,868
Excess of Disbursements over Receipts	(2,231)
Fund Cash Balances, January 1	101,570
<b>Fund Cash Balances, December 31</b>	<b>\$99,339</b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$15,407	\$8,764		\$24,171
Intergovernmental	25,121	19,983	\$25,600	70,704
Charges for Services		45,902		45,902
Fines, Licenses and Permits	20			20
Earnings on Investments	5,431	120		5,551
Miscellaneous	6,347	19,655		26,002
Total Cash Receipts	<u>52,326</u>	<u>94,424</u>	<u>25,600</u>	<u>172,350</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	5,068	42,097		47,165
Public Health Services	93			93
Transportation	753	7,096		7,849
General Government	54,932	249		55,181
Capital Outlay	25,950	34,698	25,600	86,248
Total Cash Disbursements	<u>86,796</u>	<u>84,140</u>	<u>\$25,600</u>	<u>196,536</u>
Total Receipts Over/(Under) Disbursements	<u>(34,470)</u>	<u>10,284</u>		<u>(24,186)</u>
Fund Cash Balances, January 1	<u>24,690</u>	<u>187,390</u>		<u>212,080</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$9,780)</u></b>	<b><u>\$197,674</u></b>		<b><u>\$187,894</u></b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**BINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$121,740
Miscellaneous	64
	121,804
<b>Operating Cash Disbursements:</b>	
Personal Services	24,770
Contractual Services	43,102
Supplies and Materials	13,334
	81,206
Operating Income	40,598
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	61,183
Interest and Other Fiscal Charges	16,687
	77,870
Excess of Disbursements over Receipts	(37,272)
Fund Cash Balances, January 1	138,842
<b>Fund Cash Balances, December 31</b>	<b>\$101,570</b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

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

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Community Development Block Grant Fund – This fund records the receipt and disbursement of Community Development Block Grant (CDBG) grant monies.

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

**4. Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

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

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

**2. Equity in Pooled 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:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$300,402	\$189,464
Certificates of deposit		100,000
Total deposits	<u>\$300,402</u>	<u>\$289,464</u>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,000	\$45,658	(\$1,342)
Special Revenue	69,205	74,570	5,365
Capital Projects		12,791	12,791
Enterprise	87,000	95,833	8,833
Total	\$203,205	\$228,852	\$25,647

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,226	\$45,153	\$8,073
Special Revenue	94,841	61,906	32,935
Capital Projects	12,791	12,791	
Enterprise	153,980	98,064	55,916
Total	\$314,838	\$217,914	\$96,924

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,000	\$52,326	\$7,326
Special Revenue	118,400	94,424	(23,976)
Capital Projects		25,600	25,600
Enterprise	150,053	121,804	(28,249)
Total	\$313,453	\$294,154	(\$19,299)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,800	\$86,796	(\$14,996)
Special Revenue	86,350	84,140	2,210
Capital Projects	25,600	25,600	
Enterprise	155,100	159,076	(3,976)
Total	\$338,850	\$355,612	(\$16,762)



**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, the following occurred:

- The Village allocated the payment of a police car to the Street Construction Maintenance and Repair Fund (\$3,000) , Fire Fund (\$3,000) and Emergency Medical Service Fund (\$3,000)
- Negative fund balances existed in the amounts of \$9,275 on December 31, 2009 and \$9,780 on December 31, 2008 in the General Fund. The Village has no plan for eliminating this deficit.
- A Federal Emergency Management Agency (FEMA) grant was recorded in the Fire Fund instead of a separate FEMA grant fund.
- The Village transferred restricted monies from the Street Construction, Maintenance and Repair fund in the amount of \$10,000 and the State Highway Fund in the amount of \$10,000 to the General Fund.

**4. Property Tax**

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

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

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

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

**5. Debt**

Debt outstanding at December 31, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2740	\$358,953	2.00%
Ohio Water Development Authority Loan #3668	502,744	1.50%
Ohio Water Development Authority Loan #4105	13,969	1.50%
Total	<u>\$875,666</u>	

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

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

The loan payments due January 1, 2010 were made on February 1, 2010. These amounts are included in the scheduled payments for year ended December 31, 2010.

The scheduled payments of principal and interest on debt outstanding at December 31, 2009, are as follows:

Year Ending December 31:	Principal	Interest	Total
2010	\$94,632	\$21,970	\$116,602
2011	64,631	13,103	77,734
2012	65,832	11,902	77,734
2013	67,056	10,678	77,734
2014	68,303	9,431	77,734
2015 - 2019	201,848	30,734	232,582
2020 - 2024	108,636	19,885	128,521
2025 - 2029	117,065	11,456	128,521
2030 - 2034	87,663	2,659	90,322
	<u>\$875,666</u>	<u>\$131,818</u>	<u>\$1,007,484</u>

**6. Retirement Systems**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008 OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**Social Security**

Effective July 1, 1991, all officials and employees not otherwise covered by OPERS have an option to become a member of the Social Security System. As of December 31, 2009, the Fire Chief, Assistant Fire Chief and one council member have elected Social Security. Council's liability is 6.2 percent of wages.

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to 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 coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village does participate in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Government does not participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	<b>2008</b>	<b>2007</b>
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members' Equity	\$5,184,333	\$6,862,902

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

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# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Grover Hill, Paulding County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 14, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted that sufficient evidence was not available to ensure completeness of emergency medical services charges for services revenue for the years ended December 31, 2009 and 2008 and bulk sewer charges for services revenues for the year ended December 31, 2008. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 through 2009-004, 2009-006 and 2009-007 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 14, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

June 14, 2010

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Finding for Recovery Repaid Under Audit**

**Ohio Rev. Code § 2949.091(A)(1)(a)**, effective as of October 16, 2009, requires a court in which any person is convicted of or pleads guilty to any offense shall impose one of the following sums as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

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

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

Prior to its amendment on October 16, 2009, **Ohio Rev. Code § 2949.091(A)(1)** required the court in which any person is convicted of or pleads guilty to any offense to impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. 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 general revenue fund.

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

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

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

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

These costs are to be transmitted as follows:

- Thirty-five per cent to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund created under section 5502.68 of the Revised Code and the remaining three per cent shall be credited to the justice program services fund created under section 5502.67 of the Revised Code;
- Fifteen per cent to the county court's indigent drivers alcohol treatment fund that was created by the county under division (H) of section 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 section 120.08 of the Revised Code.

In accordance with Ohio Rev. Code § 2949.091(A), prior to its amendment on October 16, 2009, the Mayor's Court had nineteen court cases in 2009 in which the \$15 cost was collected from defendants for a total amount of \$285, none of which was remitted by the Mayor's Court clerk to the treasurer of state for purposes of the general revenue fund.

In accordance with Ohio Rev. Code § 2949.091(A)(1)(a), as effective on October 16, 2009, the Mayor's Court had forty-nine court cases in 2009 in which the \$20 cost was collected from defendants for a total amount of \$980, 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 section 120.08 of the Revised Code.

Pursuant to Ohio Rev. Code § 2743.70(A)(1), the Mayor's Court had sixty-eight court cases in 2009 involving misdemeanor offenses in which the \$9 cost was collected from defendants for a total amount of \$612, 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 sixty-eight court cases involving misdemeanor offenses in which the defendant was either convicted or pled guilty to moving traffic violations during 2009 and through March 31, 2010, for a total amount of \$680, of which \$6.80 should have been credited to the justice program services fund created under section 5502.67 of the Revised Code, \$340 to the indigent defense support fund created under section 120.08 of the Revised Code and \$231.20 to the drug law enforcement fund created under section 5502.68 of the Revised Code.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against the Village of Grover Hill Mayor's Court in the amount of \$2,455 and in favor of the State of Ohio General Revenue fund in the amount of \$285, the State of Ohio Indigent Defense Support fund in the amount of \$1,320, the State of Ohio Reparations fund in the amount of \$612, the State of Ohio Drug Law Enforcement fund in the amount of \$231.20 and the State of Ohio Justice Program Services fund in the amount of \$6.80.

On June 17, 2010, a check in the amount of \$2,455 was issued by the Clerk-Treasurer to the Treasurer State of Ohio.



**FINDING NUMBER 2009-002**

**Noncompliance Citation – Material Weakness**

**Ohio Revised Code § 5705.10(H)** requires that money paid into any fund shall be used only for the purposes for which such fund is established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village purchased a police car and allocated the payment for the car to the Street Construction Maintenance and Repair Fund (\$3,000), Fire Fund (\$3,000) and Emergency Medical Service Fund (\$3,000). This is not consistent with the purposes for which the funds were established. This expenditure should have been charged to the General Fund.

Adjustments were recorded to the Village's financial statements and accounting records to reflect these changes.

Also, negative fund balances existed in the General Fund in the amounts of \$9,275 on December 31, 2009 and \$9,780 on December 31, 2008.

We recommend management closely monitor these funds throughout the year, record expenditures to proper funds and restrict expenditures until a positive fund balance exists.

**FINDING NUMBER 2009-003**

**Noncompliance Citation – Material Weakness**

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

**Auditor of State Bulletin 96-012** directs that monies received from the Federal Emergency Management Agency (FEMA) are to be accounted for in a separate fund.

The Village received grant monies from FEMA in the amount of \$12,791 in 2009. These grant monies were not recorded in a separate fund, but in the Fire Fund instead. This could result in FEMA grant monies being used for purposes other than those stipulated in the grant agreement. Adjustments were recorded to establish a separate fund to account for these grant monies on the financial statements.

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

**FINDING NUMBER 2009-004**

**Noncompliance Citation – Material Weakness**

**Ohio Revised Code § 5705.14** provides that no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with certain limited exceptions. The transfers permitted under **Ohio Revised Code § 5705.14** require a resolution passed by a two-thirds vote of the members of the taxing authority, except transfers from the general fund to any other fund of the subdivision, which would require a resolution passed by a majority of the members of the taxing authority.

**Ohio Revised Code §§ 5705.15 and 5705.16** provide that the taxing authority, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to another.

In 2009, separate transfers of \$10,000 were made from the Street Construction Maintenance and Repair Fund and from the State Highway Fund to the General Fund to be used for the general operation of the Village. These transfers were made without the approval of the Tax Commissioner and the Court of Common Pleas. The transfers also did not meet any of the exceptions allowable under the Ohio Revised Code.

The accompanying financial statements and Village accounting records have been adjusted to report the monies back in the proper funds. We recommend no transfers be made unless prior approval has been obtained in the form of an appropriate resolution authorizing the transfers and/or an approval of the Tax Commissioner and the Court of Common Pleas.

#### FINDING NUMBER 2009-005

##### Noncompliance Citation

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

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

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

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than

one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

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

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

#### **FINDING NUMBER 2009-006**

##### **Material Weakness – Financial Reporting**

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

- A check issued on November 18, 2008 in the amount of \$3,139 was not recorded until 2009 therefore not reflected on the 2008 financial statements and incorrectly reported on the 2009 financial statements.
- A donation received in 2008 to be used for the purchase of a new fire truck in the amount of \$9,630 was recorded as Intergovernmental Revenues instead of Miscellaneous Revenues in the Fire Special Revenue Fund.
- Sewer fees in the amount of \$36,361 and delinquent sewer fees turned over to the County Auditor for collection in the amount of \$28,754 in 2008 were recorded as Miscellaneous Revenues and Intergovernmental Revenues instead of Charges for Services in the Sewer Fund.
- Payments received during 2009 for Emergency Medical Services contracts in the amount of \$9,000 from townships surrounding the Village was recorded as Miscellaneous Revenues instead of Charges for Services in the Emergency Medical Services Special Revenue Fund.
- The Village benefited from \$25,600 in Community Development Block Grant (CDBG) grant funding in fiscal year 2008. However, the Fiscal Officer did not record the related receipts and disbursements in the Village's accounting system

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

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk/Treasurer and the finance committee, to identify and correct errors and omissions. In addition, the Clerk/Treasurer should also review the Auditor of State's Village handbook which contains a chart of accounts. This may help to ensure all accounts are being properly posted to the financial statements.

#### **FINDING NUMBER 2009-007**

##### **Material Weakness - Emergency Medical Service (EMS) and Sewer Plant Sludge Collection Records**

The Village collected charges for emergency medical service (EMS) runs of \$12,532 and \$14,965 in 2009 and 2008. Also, the Village collected charges for bulk sewer sludge received at its sewer treatment facility of \$4,223 and \$36,361 in 2009 and 2008. Sound internal control policies require that some form of documentation be provided to support the amounts received.

Copies of EMS run sheets were not maintained by either the EMS coordinator or the fiscal officer. There was no reconciliation performed of run sheets to amounts billed by Accumed, (the Village's billing company).

Copies of ticket invoices issued and monthly billing statements at the Village's sewer facility were not maintained for all contractors making deliveries.

We could not verify the completeness of these revenues beyond the amounts recorded as received from the billing company.

We recommend the Village maintain supporting documentation (EMS run reports, ticket invoices and monthly billing statements) for these monies. The EMS support should be reconciled to billings summary sheets from the Village's billing company. The sewer ticket invoices and monthly billing statements should be reconciled to amounts received.

##### **Officials Response:**

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Revised Code §5705.09(F). Village did not establish a separate fund to record Federal Emergency Management Agency grant.	No	Not corrected. Reissued as Finding 2009-003 in this report.
2007-002	Ohio Rev. Code Section 5705.41(B). Disbursements in excess of appropriations.	No	Not corrected. Reissued in the management letter.
2007-003	Ohio Rev. Code §5705.41(D)(1). Improper certification of funds.	No	Not corrected. Reissued as Finding 2009-005 in this report.
2007-004	Material Weakness - Sewer Accounts Not Included on Village Books.	Yes	
2007-005	Material Weakness – Financial Reporting	No	Not corrected. Reissued as Finding 2009-006 in this report.





Mary Taylor, CPA  
Auditor of State

VILLAGE OF GROVER HILL

PAULDING COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 8, 2010