



Dave Yost • Auditor of State

VILLAGE OF GROVER HILL
PAULDING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Grover Hill, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using 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), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Village did not adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory basis financial statements. As a result, the financial statements present aggregate fund balance by fund type, rather than the various fund balance classifications within each fund type.

Qualified Opinion on Regulatory Basis of Accounting

Except for the effects of the matter described in the *Basis of Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Grover Hill, Paulding County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Emphasis of Matter

As described in note 9, the beginning fund balance of the General Fund and Agency funds were restated as of January 1, 2012 to more accurately classify the activity of the Mayor's Court.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2014

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**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$13,424	\$9,212	\$22,636
Intergovernmental	23,070	15,062	38,132
Charges for Services		34,137	34,137
Fines, Licenses and Permits	1,825	2,764	4,589
Donations		5,000	5,000
Miscellaneous	1,571	320	1,891
<i>Total Cash Receipts</i>	<u>39,890</u>	<u>66,495</u>	<u>106,385</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,348	44,061	50,409
Public Health Services	86		86
Basic Utility Services	283		283
Transportation	130	10,391	10,521
General Government	31,903	379	32,282
<i>Total Cash Disbursements</i>	<u>38,750</u>	<u>54,831</u>	<u>93,581</u>
<i>Net Change in Fund Cash Balances</i>	1,140	11,664	12,804
<i>Fund Cash Balances, January 1</i>	<u>24,033</u>	<u>223,995</u>	<u>248,028</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$25,173</u></u>	<u><u>\$235,659</u></u>	<u><u>\$260,832</u></u>

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$86,108		\$86,108
Fines, Licenses and Permits		\$2,371	2,371
<i>Total Operating Cash Receipts</i>	<u>86,108</u>	<u>2,371</u>	<u>88,479</u>
Operating Cash Disbursements			
Personal Services	5,892	1,825	7,717
Contractual Services	50,165		50,165
Supplies and Materials	5,566		5,566
<i>Total Operating Cash Disbursements</i>	<u>61,623</u>	<u>1,825</u>	<u>63,448</u>
<i>Operating Income</i>	<u>24,485</u>	<u>546</u>	<u>25,031</u>
Non-Operating Receipts (Disbursements)			
Insurance Proceeds	4,014		4,014
Sale of Notes	35,636		35,636
Principal Retirement	(42,410)		(42,410)
Interest and Other Fiscal Charges	(13,745)		(13,745)
Finance Fees	(31,934)		(31,934)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(48,439)</u>		<u>(48,439)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,954)</u>	<u>546</u>	<u>(23,408)</u>
<i>Fund Cash Balances, January 1</i>	<u>11</u>	<u>468</u>	<u>479</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$23,943)</u></u>	<u><u>\$1,014</u></u>	<u><u>(\$22,929)</u></u>

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,696	\$12,658	\$27,354
Intergovernmental	23,901	16,295	40,196
Charges for Services		34,091	34,091
Fines, Licenses and Permits	1,642		1,642
Donation		4,000	4,000
Miscellaneous	1,471	114	1,585
<i>Total Cash Receipts</i>	<u>41,710</u>	<u>67,158</u>	<u>108,868</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,057	30,806	36,863
Public Health Services	86		86
Transportation		21,070	21,070
General Government	33,021	475	33,496
Capital Outlay		3,470	3,470
<i>Total Cash Disbursements</i>	<u>39,164</u>	<u>55,821</u>	<u>94,985</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,546</u>	<u>11,337</u>	<u>13,883</u>
Other Financing Receipts (Disbursements)			
Insurance Proceeds	10,719		10,719
Transfers Out	(15,812)		(15,812)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,093)</u>		<u>(5,093)</u>
<i>Net Change in Fund Cash Balances</i>	(2,547)	11,337	8,790
<i>Fund Cash Balances, January 1 (restated)</i>	<u>26,580</u>	<u>212,658</u>	<u>239,238</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$24,033</u></u>	<u><u>\$223,995</u></u>	<u><u>\$248,028</u></u>

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$102,631		\$102,631
Fines, Licenses and Permits		\$2,110	2,110
<i>Total Operating Cash Receipts</i>	<u>102,631</u>	<u>2,110</u>	<u>104,741</u>
Operating Cash Disbursements			
Personal Services	7,029	5,308	12,337
Contractual Services	41,789		41,789
Supplies and Materials	14,191		14,191
<i>Total Operating Cash Disbursements</i>	<u>63,009</u>	<u>5,308</u>	<u>68,317</u>
<i>Operating Income (Loss)</i>	<u>39,622</u>	<u>(3,198)</u>	<u>36,424</u>
Non-Operating Disbursements			
Principal Retirement	(65,231)		(65,231)
Interest and Other Fiscal Charges	(13,216)		(13,216)
<i>Total Non-Operating Disbursements</i>	<u>(78,447)</u>		<u>(78,447)</u>
<i>Loss before Transfers</i>	<u>(38,825)</u>	<u>(3,198)</u>	<u>(42,023)</u>
Transfers In	15,812		15,812
<i>Net Change in Fund Cash Balances</i>	<u>(23,013)</u>	<u>(3,198)</u>	<u>(26,211)</u>
<i>Fund Cash Balances, January 1 (restated)</i>	<u>23,024</u>	<u>3,666</u>	<u>26,690</u>
<i>Fund Cash Balances, December 31</i>	<u>\$11</u>	<u>\$468</u>	<u>\$479</u>

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, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund – This fund receives property taxes, grants, and donations for providing fire services to residents of the Village.

Emergency Medical Services Fund – This fund receives property taxes for providing emergency medical services to residents of the Village.

3. Enterprise Funds

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

Sewer Operating 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.

4. Fiduciary Funds

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 received fees and fines imposed by the Mayor for traffic violations. Corresponding expenditures are to be made to the applicable government agencies.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2013 and 2012 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>2013</u>	<u>2012</u>
Demand deposits	<u>\$237,903</u>	<u>\$248,507</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, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,000	\$39,890	(\$5,110)
Special Revenue	42,700	66,495	23,795
Enterprise	110,000	125,758	15,758
Total	\$197,700	\$232,143	\$34,443

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,850	\$38,750	\$2,100
Special Revenue	57,750	54,831	2,919
Enterprise	149,950	149,712	238
Total	\$248,550	\$243,293	\$5,257

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,000	\$52,429	\$6,429
Special Revenue	73,300	67,158	(6,142)
Enterprise	95,000	118,443	23,443
Total	\$214,300	\$238,030	\$23,730

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,948	\$54,976	(\$14,028)
Special Revenue	90,355	55,821	34,534
Enterprise	148,070	141,456	6,614
Total	\$279,373	\$252,253	\$27,120

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code 5705.41(B), budgetary expenditures in the General Fund of \$54,976 exceeded appropriations by \$14,028 as of December 31, 2012. Expenditures in the State Highway Fund of \$6,181 and \$1,289 as of December 31, 2013 and 2012 respectively, exceeded appropriations by \$4,431 and \$539 respectively. Expenditures in Sewer Debt Fund and Fire Fund of \$88,089 and \$22,134 as of December 31, 2013 respectively, exceeded appropriations by \$10,089 and \$684 respectively. Expenditures in the Street Construction, Maintenance, and Repair Fund of \$19,781 exceeded appropriations by \$1,141 as of December 31, 2012. Contrary to Ohio Revised Code 5705.39, the legally adopted appropriations in the Enterprise Sewer Operating Fund of \$71,950 and \$70,070 for years ended December 31, 2013 and 2012, respectively, exceeded estimated resources by \$16,944 and \$24,997 at year end for 2013 and 2012, respectively, and the legally adopted appropriations in the Enterprise Sewer Debt Fund of \$78,000 for both years ended December 31, 2013 and 2012, exceeded estimated resources by \$22,995 and \$5,048 at year end for 2013 and 2012, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village 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.

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 2740	\$233,765	2.00%
Ohio Water Development Authority Loan 3668	430,959	1.5%
Ohio Water Development Authority Loan 4105	12,025	1.5%
Total	<u>\$676,749</u>	

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) sewer 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. During 2013 the Village was not able to make payments on this loan due to insufficient funds in the Sewer Debt Fund. OWDA refinanced this loan during March of 2013 in the principal amount of \$233,765 which includes \$31,934 in finance fees and \$3,702 interest finance fee which were added to principal outstanding amount and will be paid bi-annually for five years. No amortization schedule is available as of December 31, 2013 for loan #2740. The amount financed in May 2002 for loan #3668 was \$602,687. The Village is required to make semi-annual payments through July 2033 on loan #3668.

The Ohio Water Development Authority (OWDA) sewer loan #4105 was used for the wastewater treatment plant improvements. The amount financed by OWDA for loan #4105 in March of 2004 was \$16,444. The Village is required to make semi-annual payments through January 2034.

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

Year ending December 31:	OWDA Loans
2014	\$25,704
2015	25,704
2016	25,704
2017	25,704
2018	25,704
2019-2023	128,441
2024-2028	128,521
2029-2033	128,521
2034	343
Total	\$514,346

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

Social Security

Effective July 1, 1991 all officials and employees not otherwise covered by OPERS have an option to become members of the Social Security system. As of December 31, 2013, the Mayor, Fire Chief, Assistant Fire Chief and three Village Council members have elected social security. Village Council's liability is 6.2 percent of gross wages.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 members' equity at December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,698,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RESTATEMENT OF FUND BALANCE

The activity of the Mayor's Court was reclassified from the General Fund to an Agency Fund as of January 1, 2012 to report the activity in a more appropriate fund type:

	General	Agency
Fund Balance at December 31, 2011	\$30,246	
Mayors Court Fund	(3,666)	\$3,666
Adjusted Fund Balance at January, 1 2012	\$26,580	\$3,666

9. INTERFUND TRANSFERS

There was one significant interfund transaction during 2012 for \$15,812 from the General Fund to the Enterprise fund. Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

10. COMPLIANCE

- Contrary to Ohio Rev. Code §5705.10 the Village had negative fund balances in the Sewer Operating Enterprise Fund in both 2013 and 2012.
- Contrary to Ohio Rev. Code §1905.21 the Village Mayor did not keep a docket for the Mayor's Court in either 2013 or 2012.
- Contrary to Ohio Rev. Code § 2949.091(A)(1)(a) money collected for moving violations was not remitted to the Treasurer of State for 2013 and 2012.
- In violation of Ohio Water Development Agency (OWDA) Loan Agreements § 4.3(b), the Village did not provides OWDA with an annual reports of the operation and income of the system, prescribe and charge adequate rates to cover the debt payments, and pay the debt payments by the agreed upon due dates for 2013 and 2012.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Grover Hill, Paulding County, Ohio (the Village) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and wherein we noted the reclassification of the Mayor's Court activity from the General Fund to the Agency Fund. We also qualified our opinion on the financial statements because the Village did not adopt the provisions of Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Government Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-004 and 2013-006 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 2013-005 through 2013-011.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2014

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness - Monitoring of Financial Transactions

The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Fiscal Officer performs most accounting functions. It is therefore important the Village Council monitor financial activity closely. While the Village Council does review all expenditures, there was no evidence of the extent to which the Village Council reviewed other financial information to monitor financial activity, including review of monthly bank reconciliations, detailed revenue or disbursement ledgers, budgetary reports which compare the budgeted revenues and appropriations to actual revenue and actual disbursements, and fund balance reports on a regular basis. This information provides important data necessary to manage Village operations.

The lack of monitoring by the Village Council contributed to the inaccurate posting of transactions to the financial statements. We noted posting errors, including the following:

- In 2013, \$17,562 in delinquent sewer fees assessed by the County Auditor and \$32,250 in sewer billing receipts was recorded as special assessments in the Enterprise Fund instead of as Charges for Services.
- In 2013, the Village failed to record the restructure of Ohio Water Development Agency debt. Note proceeds of \$35,636, finance fee of \$31,934, and interest payment of \$3,702 were not recorded in the Enterprise Sewer Fund.
- In 2013 and 2012, the Village failed to allocate Enterprise Fund Sewer revenue per Village Ordinance. Charges for Services were overstated in the Sewer Operation fund and were understated in the Sewer Debt Fund by \$1,853 and \$6,700, respectively.
- The Fiscal Officer made an adjustment to the December 31, 2011 balance of the Emergency Medical Services (EMS) Fund and Fire Fund in the cash journal due to a prior audit adjustment. The Fiscal Officer did not use the corrected balance when preparing the financial statements, resulting in an overstated of the January 1, 2012 balance in the Fire Fund and a corresponding understatement of the EMS Fund on the Financial Statements in the amount of \$1,360.

The accompanying Financial Statements and where applicable the Village's accounting records were adjusted to correct these and other errors, ranging from \$468 to \$35,636.

In order to ensure the financial activity of the Village is being properly accounted, we recommend the Village Council review financial reports, including monthly bank reconciliations, detailed revenue and disbursement ledgers, budget verses actual reports, and fund balance reports, on a frequent basis, perhaps monthly. The documents should be reviewed, initialed, and approved in the minutes. The Village Council should also review the annual financial statements prepared by the Fiscal Officer for accuracy and completeness.

FINDING NUMBER 2013-002

Material Weakness – Adoption of GASB 54

The Village failed to adopt the provisions of Governmental Accounting Standards Board Statement No.54 Fund Balance Reporting and Governmental Fund Type Definitions for the years ended December 31, 2013 and 2012 as mandated by the Auditor of State Bulletin 2011-004 for regulatory basis financial statements. Under GASB No. 54, 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. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned. In addition, GASB No. 54 provides additional clarity in how governmental funds should be classified. By not implementing GASB No. 54 the Village is not fully disclosing the manner in which fund balances are restricted. Noncompliance could also affect the classification of funds and increases the risk fund balances may be improperly spent.

We recommend the Village adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

The Village failed to adopt the provisions of Governmental Accounting Standards Board Statement No.54 Fund Balance Reporting and Governmental Fund Type Definitions for the years ended December 31, 2013 and 2012 as mandated by the Auditor of State Bulletin 2011-004 for regulatory basis financial statements. Under GASB No. 54, 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. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned. In addition, GASB No. 54 provides additional clarity in how governmental funds should be classified. By not implementing GASB No. 54 the Village is not fully disclosing the manner in which fund balances are restricted. Noncompliance could also affect the classification of funds and increases the risk fund balances may be improperly spent.

We recommend the Village adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

FINDING NUMBER 2013-003

Material Weakness – Emergency Medical Services (EMS) Billing

The Village ended its EMS billing contract with a private billing company in May of 2012, since that time no billings or collections have been made for EMS runs performed by the Village EMS service even though an EMS coordinator has been employed and the Village continued to provide EMS services. In addition, the EMS Coordinator and Fiscal Officer were unable to provide run sheets or any report that would have documented services provided in 2012 and 2013. Also, the Fiscal Officer did not monitor the billings and collections of the private billing company and did not obtain a service organization control report from the service organization to determine whether the service organization had adequate controls in place.

Due to the lack of EMS run sheets for January 1, 2012 to May 31, 2012, we were unable to verify that all run sheets were given to the services organization for collection. We were also unable to determine if the correct amounts were billed and collected by the service organization during that period. The Village reported \$3,154 of EMS revenues for 2012 and none for 2013.

FINDING NUMBER 2013-003 (Continued)

Material Weakness – Emergency Medical Services (EMS) Billing (Continued)

Also, due to the lack of EMS run sheets being available for audit, we can only estimate the loss of revenue. Based on EMS collections during 2010 and 2011 which were \$15,244 and \$5,336 respectively, and the prior audit report comment that lack of remitting EMS run sheets for billing during 2011 resulted in the possible loss of \$7,300 during 2011, we estimate the loss of revenue is between \$22,000 to \$27,000 for the period January 1, 2012 to December 31, 2013.

In addition, the Village has no ordinance setting the rates for EMS runs. The private billing company set the rates to bill when it processed the billings.

We recommend that Village Council pass an ordinance establishing the rates and procedures for collecting EMS billings, perform the billings for EMS services, and Council should periodically review revenue reports and delinquent reports to ensure collections are being made. In addition, if the Village contracts with a new service organization, we recommend they monitor the billings and collections of the service organization and require the service organization to provide the Village with a service organization control report annually.

FINDING NUMBER 2013-004

Material Weakness - Budgeted Receipts and Disbursements

The Fiscal Officer did not post any of the estimated receipts to the receipt ledger or any of the appropriations to the appropriation ledger. Furthermore, the Fiscal Officer did not prepare reports for Council showing a comparison of approved budget commission estimated revenue to actual revenue received and Council approved appropriations to actual expenditures and encumbrances for any of the Village funds.

Failure to monitor the budgetary amounts in comparison to the actual revenue and disbursement could result in spending that exceeds what the Council has authorized and could lead to deficit spending. The failure of the Council to review budget versus actual financial reports impacts the Board's ability to identify negative budgetary variances and/or noncompliance with budgetary laws which could be material to the financial statements.

FINDING NUMBER 2013-004 (Continued)

Material Weakness - Budgeted Receipts and Disbursements (Continued)

Adjustments were made to the budgetary note to show the estimated receipts certified by the budget commission and appropriations approved by Council by the following amounts:

Budgeted Receipts			
	For Year Ending		For Year Ending
	December 31, 2013		December 31, 2012
General	\$	45,000	\$ 46,000
Special Revenue		42,700	73,300
Enterprise		110,000	95,000
Total	\$	197,700	\$ 214,300

Appropriations			
	For Year Ending		For Year Ending
	December 31, 2013		December 31, 2012
General	\$	40,850	\$ 40,948
Special Revenue		57,750	90,355
Enterprise		149,950	148,070
Total	\$	248,550	\$ 279,373

These adjustments equaled the variances in the amount of estimated receipts and appropriations which were not posted by the Fiscal Officer to the receipt or appropriation ledger.

Budgeted receipts, as shown on the certificate of estimated resources, should be posted to the receipt ledger with a running "balance" derived from budgeted receipts less actual receipts. Appropriations, as approved by Council, should be posted to the appropriation ledger with a running "balance" derived from appropriations less actual expenditures or encumbrances. These "balance" totals provide a comparison of anticipated receipts to actual receipts, and appropriation amounts still available to be expended. In addition, budget versus actual receipt and appropriation reports should be prepared monthly and reviewed by Council and approved in the minutes of the Council meeting.

FINDING NUMBER 2013-005

Noncompliance Citation

Ohio Rev. Code § 5705.10 money paid into any fund shall be used only for the purpose for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance. As of December 31, 2013 and 2012, the Village had a deficit cash balance of \$11,265 and \$34,431, respectively, in the Enterprise Sewer Operating Fund. This is an indication that other funds are being used to cover the expenses of the Enterprise Sewer Operating Fund.

We recommend the Village Council review fund balances monthly and take corrective actions, such as increasing sewer rates or lower expenditures, in order to prevent deficit spending.

FINDING NUMBER 2013-006

Material Weakness and Noncompliance Citation

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 Revised Code § 733.40 provides the Mayor of a village, at the first regular meeting of the Village Council each month, shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

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 2012 and 2013. Subsequently, the Fiscal Officer did not post the activity of the Mayor's Court to the cashbook or Financial Statements. Adjustments were made to post the Mayor's Court activity in an Agency Fund on the Financial Statements.

The lack of a Mayor's court cashbook, docket, and adequate bookkeeping also resulted in:

- The inability of the Fiscal Officer and Mayor to readily determine the revenues, disbursements, and balances of the Mayor's Court Fund
- \$300 in tickets being issued in 2013 in which it could not be determined if fines were imposed or collected
- \$446 and \$100 in 2013 and 2012, respectively, of fines collected with no evidence of a ticket being issued.
- A check for \$160, which was issued to the Mayor's Court, not being cashed and the misplaced check not being detected by the Mayor since a receipt was not written and the check was not documented in a cashbook or docket.

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, we recommend the Mayor record all transactions in a cashbook and a docket to record the financial transactions of the mayor's court. We further recommend the Mayor 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.

FINDING NUMBER 2013-007

Noncompliance Citation

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), respectively, of the Ohio Revised Code

FINDING NUMBER 2013-007 (Continued)

Noncompliance Citation (Continued)

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 2013 and 2012 were certified by the Fiscal Officer at the time the commitments were 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 Fiscal Officer 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 2013-008

Noncompliance Citation

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

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

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

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:

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

These costs are to be transmitted as follows:

- Thirty-five per cent to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund created under § 5502.68 of the Revised Code and the remaining three per cent shall be credited to the justice program services fund created under § 5502.67 of the Revised Code;
- Fifteen per cent to the county court's indigent drivers alcohol treatment fund that was created by the county under division (H) of § 4511.191 of the Revised Code;
- 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 twenty-six court cases in 2012 and 2013 where the \$20 court cost was collected from defendants for a total amount of \$520, 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.

FINDING NUMBER 2013-008 (Continued)

Noncompliance Citation (Continued)

Pursuant to Ohio Rev. Code § 2743.70(A)(1), the Mayor’s Court had twenty-six court cases in 2012 and 2013 involving misdemeanor offenses in which the \$9 cost was collected from defendants for a total amount of \$234, 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 twenty-six court cases involving misdemeanor offenses in which the defendant was either convicted or pled guilty to moving traffic violations during 2012 and 2013, for a total amount of \$260, of which \$2.60 should have been credited to the justice program services fund created under § 5502.67 of the Revised Code, \$130 to the indigent defense support fund created under § 120.08 of the Revised Code, \$39 to the Paulding County Court’s Indigent Drivers Alcohol Treatment fund created under division (H) of § 4511.191 of the Revised Code, and \$88.40 to the drug law enforcement fund created under § 5502.68 of the Revised Code. None of the \$260 in court costs were remitted to their proper funds.

The Village fiscal officer should disburse \$975 to the State of Ohio Treasury, (\$650 to the indigent defense support fund, \$234 to the reparations fund, \$2.60 to the justice program service fund, \$88.40 to the drug law enforcement fund) and \$39 to the Paulding County Court’s Indigent Drivers Alcohol Treatment fund.

FINDING NUMBER 2013-009

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides appropriations from each fund should not exceed the estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources. Furthermore, no appropriation measure is to become effective until the County Auditor files a certificate with the subdivision that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Approved Estimated Resources</u>	<u>Difference</u>
For the year ended December 31, 2013:			
Sewer Operating	\$71,950	\$55,006	(\$16,944)
Sewer Debt	78,000	55,005	(22,995)
For the year ended December 31, 2012:			
Sewer Operating	70,070	45,073	(24,997)
Sewer Debt	78,000	72,952	(5,048)

FINDING NUMBER 2013-009 (Continued)

Noncompliance Citation (Continued)

Total appropriations in excess of total available resources resulted in deficit spending in the Sewer Operating Fund. The Fiscal Officer should regularly compare appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to the Village Council for approval. In addition, the Fiscal Officer should make sure annual appropriations and all subsequent modifications have been certified by the County Auditor by the end of each fiscal year so each respective measure has been made effective.

FINDING NUMBER 2013-010

Noncompliance Citation

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

	<u>Total Appropriations</u>	<u>Total Disbursements</u>	<u>Variance</u>
<u>2013</u>			
State Highway Fund	\$1,750	\$6,181	(\$4,431)
Sewer Debt Fund	78,000	88,089	(10,089)
Fire Fund	21,450	22,134	(684)
<u>2012</u>			
General Fund	40,948	54,976	(14,028)
Street Construction, Maintenance, and Repair Fund	18,640	19,781	(1,141)
State Highway Fund	750	1,289	(539)

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

FINDING NUMBER 2013-011

Noncompliance Citation

Ohio Water Development Agency (OWDA) Loan Agreements § 4.3(b), provides the local government will furnish to the OWDA annual reports of the operation and income of the system. § 4.3 (a) of this agreement provides the Village, from and after the completion and placement into operation of the Project Facilities, it 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. Furthermore, § 4.2 of this agreement provides the Local Government shall pay principal and interest when due. The Fiscal Officer did not file annual reports with OWDA for three loans in 2012 and 2013. The Village Council did not charge rates that resulted in revenues being adequate to provide for the debt payments. In 2012, the Village had a loss before interfund transfers of \$16,867 in the Sewer Debt Fund and \$21,958 in the Sewer Operating fund. In 2013, the Village had a loss before interfund transfers of \$788 in the Sewer Debt Fund and \$23,166 in the Sewer Operating Fund.

The Fiscal Officer also failed to make timely payments on loan number 2740, which resulted in late fees of \$733 and \$850 being charged to the Village in 2013 and 2012, respectively. Per the terms of the loan agreement, violations of debt covenants could result in the Village being considered in default of the loan and OWDA could declare the total amount of the unpaid principal to be immediately due and payable.

We recommend the Village Council review the OWDA agreement and comply with the loan covenants of providing annual statements, charging adequate rates, and paying loan amounts due in a timely fashion. We further recommend the Village Council 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.

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, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code § 2949.091(A)(1)(a), for non-payment of court costs to the State of Ohio and Paulding County.	No	Not corrected. Reissued in this report as Finding 2013-008
2011-002	Ohio Rev. Code § 5705.41(D)(1), for improper certification of expenditures.	No	Not corrected. Reissued in this report as Finding 2013-007.
2011-003	Ohio Rev. Code § 5705.09(F), for not establishing proper funds.	Yes	
2011-004	Ohio Rev. Code § 5705.41(B), for expenditures exceeding appropriations.	No	Not corrected. Reissued in this report as Finding 2013-010.
2011-005	Material Weakness – Financial Reporting, due to errors in financial statements.	No	Not corrected. Reissued in this report as Finding 2013-001.
2011-006	Material Weakness – Emergency Medical Service (EMS) Billing, for not billing EMS services.	No	Not corrected. Reissued in this report as Finding 2013-003.

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Dave Yost • Auditor of State

VILLAGE OF GROVER HILL

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 19, 2014**