



**Auditor of State
Betty Montgomery**

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

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, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 20, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 15,975	\$ 5,612		\$ 21,587
Intergovernmental Receipts	21,877	60,901		82,778
Charges for Services		24,537		24,537
Earnings on Investments	4,732	204		4,936
Miscellaneous	907	55		962
Total Cash Receipts	43,491	91,309		134,800
Cash Disbursements				
Current:				
Security of Persons and Property	4,834	72,328		77,162
Public Health Services	91			91
Transportation	300	2,013		2,313
General Government	37,517	212		37,729
Debt Service:				
Principal Payments			\$ 7,991	7,991
Interest and Fiscal Charges			6,800	6,800
Capital Outlay			507,056	507,056
Total Cash Disbursements	42,742	74,553	521,847	639,142
Total Receipts Over/(Under) Disbursements	749	16,756	(521,847)	(504,342)
Other Financing Receipts				
OWDA Loan Proceeds			509,336	509,336
Transfers-In			12,511	12,511
Total Other Financing Receipts			521,847	521,847
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	749	16,756		17,505
Fund Cash Balances, January 1	71,755	103,827		175,582
Fund Cash Balances, December 31	\$ 72,504	\$ 120,583		\$ 193,087

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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 79,826		\$ 79,826
Miscellaneous	969		969
Total Operating Cash Receipts	<u>80,795</u>		<u>80,795</u>
Operating Cash Disbursements			
Personal Services	2,473		2,473
Contractual Services	24,904		24,904
Supplies and Materials	3,301		3,301
Total Operating Cash Disbursements	<u>30,678</u>		<u>30,678</u>
Operating Income	<u>50,117</u>		<u>50,117</u>
Non-Operating Cash Disbursements			
Debt Service - Principal	38,659		38,659
Debt Service - Interest and Fiscal Charges	13,371		13,371
Other Non-Operating Cash Disbursements	770		770
Total Non-Operating Cash Disbursements	<u>52,800</u>		<u>52,800</u>
Excess of Disbursements Over Receipts Before Interfund Transfers	(2,683)		(2,683)
Transfers-Out	<u>(12,511)</u>		<u>(12,511)</u>
Net Disbursements Over Receipts	(15,194)		(15,194)
Fund Cash Balances, January 1	<u>254,358</u>	<u>\$ 102,999</u>	<u>357,357</u>
Fund Cash Balances, December 31	<u>\$ 239,164</u>	<u>\$ 102,999</u>	<u>\$ 342,163</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 13,903	\$ 5,239		\$ 19,142
Intergovernmental Receipts	24,905	19,265		44,170
Charges for Services		24,537		24,537
Earnings on Investments	8,455	240		8,695
Miscellaneous	469	25		494
Total Cash Receipts	47,732	49,306		97,038
Cash Disbursements				
Current:				
Security of Persons and Property	7,933	30,920		38,853
Transportation	62	2,053		2,115
General Government	38,986	201		39,187
Debt Service:				
Principal Payments			\$ 38,684	38,684
Interest and Fiscal Charges			3,155	3,155
Capital Outlay			62,146	62,146
Total Cash Disbursements	46,981	33,174	103,985	184,140
Total Receipts Over/(Under) Disbursements	751	16,132	(103,985)	(87,102)
Other Financing Receipts				
OWDA Loan Proceeds			103,985	103,985
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	751	16,132		16,883
Fund Cash Balances, January 1	71,004	87,695		158,699
Fund Cash Balances, December 31	\$ 71,755	\$ 103,827		\$ 175,582

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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 81,085		\$ 81,085
Operating Cash Disbursements			
Personal Services	1,936		1,936
Contractual Services	25,194		25,194
Supplies and Materials	2,836		2,836
Total Operating Cash Disbursements	<u>29,966</u>		<u>29,966</u>
Operating Income	<u>51,119</u>		<u>51,119</u>
Non-Operating Cash Receipts			
Other Non-Operating Receipts		\$ 102,999	102,999
Non-Operating Cash Disbursements			
Debt Service - Principal	38,659		38,659
Debt Service - Interest	13,371		13,371
Total Non-Operating Cash Disbursements	<u>52,030</u>		<u>52,030</u>
Net Receipts Over (Under) Disbursements	(911)	102,999	102,088
Fund Cash Balances, January 1	<u>255,269</u>		<u>255,269</u>
Fund Cash Balances, December 31	<u>\$ 254,358</u>	<u>\$ 102,999</u>	<u>\$ 357,357</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, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

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

EMS Fund - This fund receives property tax money and grants to provide emergency medical services to Village residents.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Wastewater Treatment Plant Improvement Fund - This fund received proceeds from an OWDA loan to upgrade the Wastewater Treatment Plant.

4. Enterprise Funds

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

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Sewer Debt Retirement Fund - This fund receives charges for services from residents to retire the debt of the Wastewater Treatment Plant.

5. Fiduciary Funds (Agency Funds)

In 2002 the Village received \$102,999 from the Federal Deposit Insurance Cooperation for settlement from the Oakwood Bank collapse. However, the Village did not lose any funds deposited with Oakwood Bank and as a result was not due anything. These funds were deposited in an agency fund and subsequently returned to FDIC in 2004.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$ 330,381	\$ 328,070
Certificates of Deposit	204,869	204,869
Total deposits	\$ 535,250	\$ 532,939

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,000	\$ 43,491	\$ (6,509)
Special Revenue	49,300	91,309	42,009
Capital Projects		521,847	521,847
Enterprise	82,000	80,795	(1,205)
Total	\$ 181,300	\$ 737,442	\$ 556,142

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 48,695	\$ 42,742	\$ 5,953
Special Revenue	48,435	74,553	(26,118)
Capital Projects		521,847	(521,847)
Enterprise	108,250	95,989	12,261
Total	<u>\$ 205,380</u>	<u>\$ 735,131</u>	<u>\$ (529,751)</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,000	\$ 47,732	\$ (2,268)
Special Revenue	52,100	49,306	(2,794)
Capital Projects		103,985	103,985
Enterprise	84,999	81,085	(3,914)
Total	<u>\$ 187,099</u>	<u>\$ 282,108</u>	<u>\$ 95,009</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 46,295	\$ 46,981	\$ (686)
Special Revenue	39,885	33,174	6,711
Capital Projects		103,985	(103,985)
Enterprise	109,900	81,996	27,904
Total	<u>\$ 196,080</u>	<u>\$ 266,136</u>	<u>\$ (70,056)</u>

4. COMPLIANCE

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

Fund	Amount Appropriated	Amount Expended	Variance
December 31, 2003			
Fire Fund	\$ 28,200	\$ 59,988	\$ (31,788)
Wastewater Improvement Fund	-	521,847	(521,847)
Sewer Debt Retirement Fund	52,500	64,541	(12,041)
December 31, 2002			
General Fund	\$ 46,295	\$ 46,981	\$ (686)
State Highway Fund	350	540	(190)
Wastewater Improvement Fund	-	103,985	(103,985)

5. PROPERTY TAX

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

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

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

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

	Principal	Interest Rate
Ohio Water Development Authority Loan # 2740	\$ 590,458	2%
Ohio Water Development Authority Loan # 3668	566,647	1.5%
Total Debt Outstanding at December 31, 2003	\$ 1,157,105	

Proceeds from the Ohio Water Development Authority (OWDA) Loan #2740 were used to construct a wastewater facility. The amount financed by OWDA 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 Village has set utility rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority Loan #3668 was approved for \$602,687 for the Wastewater Treatment Plant Improvements; of this loan \$566,647 was received as of December 31, 2003. The project is scheduled for completion in 2004. An amortization schedule of payments has not yet been received and as a result the schedule below does not include this loan.

Amortization of OWDA loan #2740 debt, including interest, is scheduled as follows:

Year ending December 31:	#2740
2004	\$ 26,015
2005	52,030
2006	52,030
2007	52,030
2008	52,030
2009-2013	260,150
2014-2017	182,108
Total	\$ 676,393

8. RETIREMENT SYSTEMS

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

Three part-time Village employees have selected Social Security, rather than OPERS. The village's liability is 6.2 percent of wage paid. The Village has paid all contributions required through December 31, 2003.

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained Earnings	<u>\$ 11,624,228</u>	<u>\$ 10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	(655,318)	(469,100)
Retained Earnings	<u>\$ 1,910,090</u>	<u>\$ 1,421,223</u>

10. OUTSTANDING CONTRACT

The Village had a contractual commitment outstanding at December 31, 2003, related to construction project for the wastewater treatment plant improvements in the amount of \$64,049.

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Grover Hill, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items numbers 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 20, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 20, 2004.

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



Betty Montgomery
Auditor of State

April 20, 2004

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

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

Fund	Amount Appropriated	Amount Expended	Variance
December 31, 2003			
Fire Fund	\$ 28,200	\$ 59,988	\$ (31,788)
Wastewater Improvement Fund	-	521,847	(521,847)
Sewer Debt Retirement Fund	52,500	64,541	(12,041)
December 31, 2002			
General Fund	\$ 46,295	\$ 46,981	\$ (686)
State Highway Fund	350	540	(190)
Wastewater Improvement Fund	-	103,985	(103,985)

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

FINDING NUMBER 2003-002

Noncompliance Citation

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

**FINDING NUMBER 2003-002
 (Continued)**

This section also provides two exceptions to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrance, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000, effective April 2003) the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

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

FINDING NUMBER 2003-003

Material Weakness

Sewer Accounts Not Included on Village Books

The Village maintains money in various bank accounts for the Sewer Operating and Sewer Debt Retirement Funds which are not included in the cashbook balances for these funds or in the balances reported on the Village's annual financial report. This results in the Sewer Operating and the Sewer Debt Retirement Fund balances being understated by the following amounts:

<u>December 31:</u>	<u>2003</u>	<u>2002</u>
Sewer Operating Fund	\$ 107,987	\$ 107,987
Sewer Debt Retirement Fund	96,882	96,882
Total	<u>\$ 204,869</u>	<u>\$ 204,869</u>

FINDING NUMBER 2003-003
(Continued)

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

**VILLAGE OF GROVER HILL
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30263-001	ORC § 5705.41(D) Certification of funds	No	This finding has not been corrected and is repeated in this report as finding # 2003-002.
2001-30263-002	ORC § 5705.41(B) Expenditures in excess of appropriation	No	This finding has not been corrected and is repeated in this report as finding # 2003-001.
2001-30263-003	ORC § 135.18 Protection of Village deposits	Yes	
2001-30263-004	Sewer accounts not included in cashbook balances	No	This finding has not been corrected and is repeated in this report as finding # 2003-003.



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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
MAY 18, 2004**