



**Auditor of State  
Betty Montgomery**



VILLAGE OF GROVER HILL  
PAULDING COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 1, 2006

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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, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Grover Hill, Paulding County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 1, 2006



**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, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$16,391	\$9,836		\$26,227
Intergovernmental Receipts	24,262	24,274	\$50,960	99,496
Charges for Services		24,537		24,537
Fines, Licenses, and Permits	300			300
Earnings on Investments	5,228	120		5,348
Miscellaneous	2,729	220		2,949
	<u>48,910</u>	<u>58,987</u>	<u>50,960</u>	<u>158,857</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	6,264	45,796		52,060
Basic Utility Services	564			564
Transportation	160	2,138		2,298
General Government	52,808	227		53,035
Capital Outlay		25,862	50,960	76,822
	<u>59,796</u>	<u>74,023</u>	<u>\$50,960</u>	<u>184,779</u>
Total Disbursements over Receipts	<u>(10,886)</u>	<u>(15,036)</u>		<u>(25,922)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets		12,601		12,601
Transfers-Out	(17,500)			(17,500)
	<u>(17,500)</u>	<u>12,601</u>		<u>(4,899)</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(28,386)	(2,435)		(30,821)
Fund Cash Balances, January 1	53,138	138,274		191,412
<b>Fund Cash Balances, December 31</b>	<b><u>\$24,752</u></b>	<b><u>\$135,839</u></b>		<b><u>\$160,591</u></b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$97,264
Miscellaneous	142
	97,406
<b>Operating Cash Disbursements:</b>	
Personal Services	3,628
Contractual Services	36,664
Supplies and Materials	10,274
Capital Outlay	32,191
	82,757
Operating Income	14,649
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Notes and Bonds	16,044
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	117,438
Excess of Disbursements Over Receipts Before Interfund Transfers	(86,745)
Transfers-In	17,500
Net Disbursements Over Receipts	(69,245)
Fund Cash Balances, January 1	259,078
<b>Fund Cash Balances, December 31</b>	<b>\$189,833</b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$14,763	\$9,198	\$73,800	\$97,761
Intergovernmental Receipts	35,983	25,710		61,693
Charges for Services		24,537		24,537
Fines, Licenses, and Permits	150			150
Earnings on Investments	2,471			2,471
Miscellaneous	75	74		149
	<u>53,442</u>	<u>59,519</u>	<u>73,800</u>	<u>186,761</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,979	24,954		28,933
Public Health Services	96			96
Transportation		5,758		5,758
General Government	46,222	209		46,431
Debt Service:				
Principal Payments	8,051			8,051
Interest Payments	4,460			4,460
Capital Outlay	10,000	10,904	101,849	122,753
	<u>72,808</u>	<u>41,825</u>	<u>101,849</u>	<u>216,482</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(19,366)</u>	<u>17,694</u>	<u>(28,049)</u>	<u>(29,721)</u>
<b>Other Financing Receipts:</b>				
Sale of Bonds or Notes			28,049	28,049
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(19,366)	17,694		(1,672)
Fund Cash Balances, January 1	<u>72,504</u>	<u>120,580</u>		<u>193,084</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$53,138</u></u>	<u><u>\$138,274</u></u>		<u><u>\$191,412</u></u>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$86,218		\$86,218
<b>Operating Cash Disbursements:</b>			
Personal Services	3,847		3,847
Contractual Services	28,683		28,683
Supplies and Materials	7,325		7,325
Total Operating Cash Disbursements	39,855		39,855
Operating Income	46,363		46,363
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	26,448		26,448
Other Non-Operating Cash Disbursements		102,999	102,999
Total Non-Operating Cash Disbursements	26,448	102,999	129,447
Net Receipts Over/(Under) Disbursements	19,915	(102,999)	(83,084)
Fund Cash Balances, January 1	239,163	102,999	342,162
<b>Fund Cash Balances, December 31</b>	<b>\$259,078</b>		<b>\$259,078</b>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

Certificates of Deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

**3. Capital Project Funds**

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

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

Wastewater Treatment Plant Improvement Fund - This fund receives 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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

**5. Fiduciary Funds (Agency Funds)**

Trust Funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has an agency which was used to hold a payment received in 2002 from the Federal Deposit Insurance Cooperation. This payment was received in error and returned to the issuer in 2004.

**E. Budgetary Process**

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2005 and 2004 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 CASH**

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 175,424	\$ 245,621
Certificates of Deposit	175,000	204,869
Total deposits	<u>\$ 350,424</u>	<u>\$ 450,490</u>

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

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,000	\$48,910	(\$1,090)
Special Revenue	45,500	71,588	26,088
Capital Projects		50,960	50,960
Enterprise	84,000	130,950	46,950
Total	\$179,500	\$302,408	\$122,908

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,550	\$77,296	(\$14,746)
Special Revenue	50,885	74,023	(23,138)
Capital Projects		50,960	(50,960)
Enterprise	131,800	200,195	(68,395)
Total	\$245,235	\$402,474	(\$157,239)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,000	\$53,442	\$10,442
Special Revenue	62,510	59,519	(2,991)
Capital Projects		101,849	101,849
Enterprise	80,796	86,218	5,422
Total	\$186,306	\$301,028	\$114,722

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,150	\$72,808	(\$23,658)
Special Revenue	52,435	41,825	10,610
Capital Projects		101,849	(101,849)
Enterprise	118,250	66,303	51,947
Total	\$219,835	\$282,785	(\$62,950)



**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. COMPLIANCE**

Contrary to Ohio Law, expenditures exceeded appropriations in the General, Emergency Medical Services, Fire, Federal Grant, Sewer, and Sewer Debt Retirement Funds in 2005 and in the General, Emergency Medical Services, Wastewater Treatment Plant Improvements and Federal Grant Funds in 2004.

Grant monies received by the Village were not put into a special fund.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**6. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2740	\$509,222	2.00%
Ohio Water Development Authority Loan #3668	562,130	1.50%
Ohio Water Development Authority Loan #4105	15,035	1.50%
Total	<u><u>\$1,086,387</u></u>	

Proceeds from the Ohio Water Development Authority (OWDA) Loans #2740 and #3668 were used to construct a wastewater facility. The amount financed by OWDA for Loan #2740 in October 1989 was \$1,015,810. The Village is required to make semi-annual payments in the amount of \$26,015 through January 2017. The amount financed by OWDA for Loan #3668 in May 2002 was \$602,687. The Village is required to make semi-annual payments in the amount of \$12,511 through July 2033. Sewer receipts collateralize the loan. Payments toward these loans are made from the Sewer Debt Retirement Fund.

Ohio Water Development Authority Loan #4105 was approved for \$25,000 for the Wastewater Treatment Plant Improvements; of this loan \$16,044 was received as of December 31, 2005. An amortization schedule of payments has not yet been received and as a result the schedule below does not include this loan.

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. DEBT – (Continued)**

Amortization of OWDA loan #2740 and #3668 debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan # 2740	OWDA Loan #3668
2006	\$52,030	\$25,022
2007	52,030	25,022
2008	52,030	25,022
2009	52,030	25,022
2010	52,030	25,022
subsequent	312,148	562,995
Total	<u>\$572,298</u>	<u>\$688,105</u>

**7. RETIREMENT SYSTEMS**

**Ohio Public Employees Retirement System**

The Village's part-time employees and some officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**Social Security**

Effective July 1, 1991, all officials and employees not otherwise covered by OPERS have an option to become a member of the Social Security System. As of December 31, 2005, two part-time employees have elected Social Security. Council's liability is 6.2 percent of wages.

**8. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 coverage 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.

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RISK MANAGEMENT – (Continued)**

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RISK MANAGEMENT – (Continued)**

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$28,430.



**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Grover Hill, Paulding County (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 1, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2005-004.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable condition 2005-004 listed above to be a material weakness. In a separate letter to the Village's management dated August 1, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-003. In a separate letter to the Village's management dated August 1, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management, and Village Council. It is not intended for 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

August 1, 2006

**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Revised Code §5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard 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, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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.

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 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 is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

**FINDING NUMBER 2005-001  
 (Continued)**

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 that 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 that the Fiscal Officer certify that 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 certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 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 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 2005-002**

**Noncompliance Citation**

Ohio Revised Code §5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter. Actual Expenditures exceeded appropriations in the following funds at the dates indicated:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
<b>December 31, 2005</b>			
General Fund	\$62,550	\$77,296	(\$14,746)
Emergency Medical Services Fund	16,035	38,908	(22,873)
Fire Fund	25,700	28,727	(3,027)
Federal Fund		50,960	(50,960)
Sewer Fund	54,300	82,757	(28,457)
Sewer Debt Retirement Fund	77,500	117,438	(39,938)
<b>December 31, 2004</b>			
General Fund	49,150	72,808	(23,658)
Waste Water Treatment Plant Project Fund		28,049	(28,049)
Federal Grant Fund		73,800	(73,800)
Emergency Medical Services Fund	9,535	11,808	(2,273)

There were adequate actual resources available to increase appropriations to cover these expenditures. The Clerk-Treasurer should have requested from Council amendments to appropriations for these funds.

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. We recommend the Clerk-Treasurer monitor appropriations during the year and make changes when necessary to avoid situations where expenditures exceed appropriations.



**FINDING NUMBER 2005-003**

**Noncompliance Citation**

Ohio Revised Code §5705.10 states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

The Village received grant monies from the Federal Emergency Management Agency (FEMA) in the amount of \$50,960 in 2005 and \$73,800 in 2004. These grant monies were not recorded in a special fund. This could result in these monies being used for purposes other than those stipulated in the grant agreement. Adjustments were recorded to establish a separate fund to account for these grant monies.

We recommend the Village should establish a special fund for the receipt and expenditure of money associated with the FEMA grant.

**FINDING NUMBER 2005-004**

**Material Weakness**

**Sewer Accounts Not Included on Village Books**

The Village maintained a money market savings account which was not included in the balance of the Sewer Fund. Also, the Village had two certificates of deposit which were not included in the balance of the Sewer Debt Retirement Fund. This results in the Sewer Fund and the Sewer Debt Retirement Fund balances being understated by the following amounts:

December 31	2004	2005
Sewer Fund	107,987	107,987
Sewer Debt Retirement Fund	96,882	96,882
Total	<u>204,869</u>	<u>204,869</u>

Excluding bank accounts from the cashbook balances may allow error 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. The accompanying financial statements have been adjusted to include this activity.

**Officials' Response:**

We did not receive a response from Officials to these findings.

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**VILLAGE OF GROVER HILL  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	ORC § 5705.41(B) Expenditures in excess of appropriation	No	This finding has not been corrected and is repeated in this report as finding # 2005-002.
2003-002	ORC § 5705.41(D) Certification of funds	No	This finding has not been corrected and is repeated in this report as finding # 2005-001.
2003-003	Sewer accounts not included in cashbook balances	No	This finding has not been corrected and is repeated in this report as finding # 2005-004.





**Auditor of State  
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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  
AUGUST 29, 2006**