



**VILLAGE OF GRATIS  
PREBLE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF GRATIS  
PREBLE COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Gratis  
Preble County  
404 Harrison Street  
P.O. Box 574  
Gratis, Ohio 45330

To the Village Council:

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

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

The financial statements referred to above exclude cash receipts, disbursements and balances related to accounts used for Fire Department donations and fund raisers. We believe these accounts should be included in this presentation. We were unable to determine the amounts of the omitted accounts.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Jim Petro**  
Auditor of State

June 28, 2002

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$21,989	\$45,801	\$0	\$67,790
Intergovernmental Receipts	40,339	39,526		79,865
Charges for Services		94,737		94,737
Fines, Licenses, and Permits	485			485
Earnings on Investments	4,949	457		5,406
Miscellaneous	4,430	17,602		22,032
	<u>72,192</u>	<u>198,123</u>	<u>0</u>	<u>270,315</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	23,057	25,481		48,538
Public Health Services		79,989		79,989
Leisure Time Activities	368	4,762		5,130
Transportation		42,054		42,054
General Government	43,571	60		43,631
Debt Service:				
Principal Payments		27,273		27,273
Interest Payments		4,004		4,004
Capital Outlay	5,260	17,266		22,526
	<u>72,256</u>	<u>200,889</u>	<u>0</u>	<u>273,145</u>
Total Receipts (Under) Disbursements	<u>(64)</u>	<u>(2,766)</u>	<u>0</u>	<u>(2,830)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Financing Sources	100			100
Other Financing Uses	(97)	(2,568)		(2,665)
	<u>3</u>	<u>(2,568)</u>	<u>0</u>	<u>(2,565)</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(61)	(5,334)	0	(5,395)
Fund Cash Balances, January 1	17,455	62,850	58	80,363
<b>Fund Cash Balances, December 31</b>	<b><u>\$17,394</u></b>	<b><u>\$57,516</u></b>	<b><u>\$58</u></b>	<b><u>\$74,968</u></b>
Reserves for Encumbrances, December 31	<u>\$2,022</u>	<u>\$3,295</u>	<u>\$0</u>	<u>\$5,317</u>

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$218,050
Miscellaneous	1,787
	219,837
Total Operating Cash Receipts	219,837
<b>Operating Cash Disbursements:</b>	
Personal Services	51,254
Fringe Benefits	11,557
Contractual Services	47,551
Supplies and Materials	57,319
Capital Outlay	10,765
	178,446
Total Operating Cash Disbursements	178,446
Operating Income	41,391
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	44,231
Total Non-Operating Cash Disbursements	44,231
Net Receipts (Under) Disbursements	(2,840)
Fund Cash Balances, January 1	155,473
<b>Fund Cash Balances, December 31</b>	<b>\$152,633</b>
Reserve for Encumbrances, December 31	\$13,800

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



**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$22,163	\$46,231	\$0	\$68,394
Intergovernmental Receipts	39,342	74,206		113,548
Charges for Services		101,286		101,286
Fines, Licenses, and Permits	320			320
Earnings on Investments	6,096	548		6,644
Miscellaneous	11,272	17,949		29,221
<b>Total Cash Receipts</b>	<u>79,193</u>	<u>240,220</u>	<u>0</u>	<u>319,413</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	12,502	27,319		39,821
Public Health Services		75,078		75,078
Leisure Time Activities	409	6,756		7,165
Transportation		86,501		86,501
General Government	62,246	168		62,414
Debt Service:				
Principal Payments		29,594		29,594
Interest Payments		6,594		6,594
Capital Outlay	9,980	25,129		35,109
<b>Total Cash Disbursements</b>	<u>85,137</u>	<u>257,139</u>	<u>0</u>	<u>342,276</u>
<b>Total Receipts (Under) Disbursements</b>	<u>(5,944)</u>	<u>(16,919)</u>	<u>0</u>	<u>(22,863)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Bonds or Notes		2,000		2,000
Transfers-In		346		346
<b>Total Other Financing Receipts</b>	<u>0</u>	<u>2,346</u>	<u>0</u>	<u>2,346</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(5,944)	(14,573)	0	(20,517)
Fund Cash Balances, January 1	23,399	77,423	58	100,880
<b>Fund Cash Balances, December 31</b>	<u><b>\$17,455</b></u>	<u><b>\$62,850</b></u>	<u><b>\$58</b></u>	<u><b>\$80,363</b></u>
Reserves for Encumbrances, December 31	<u>\$861</u>	<u>\$250</u>	<u>\$0</u>	<u>\$1,111</u>

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$214,809
Miscellaneous	1,432
	<u>216,241</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	43,073
Fringe Benefits	11,248
Contractual Services	45,875
Supplies and Materials	31,289
Capital Outlay	14,710
	<u>146,195</u>
Total Operating Cash Disbursements	<u>146,195</u>
Operating Income	<u>70,046</u>
<b>Non-Operating Cash Receipts:</b>	
Property Tax and Other Local Taxes	331
Proceeds from Notes and Bonds	2,000
	<u>2,331</u>
Total Non-Operating Cash Receipts	<u>2,331</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	69,476
	<u>69,476</u>
Total Non-Operating Cash Disbursements	<u>69,476</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	2,901
Advances-In	15,000
Transfers-Out	(346)
Advances-Out	(15,000)
	<u>(15,000)</u>
Net Receipts Over Disbursements	2,555
Fund Cash Balances, January 1	<u>152,918</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$155,473</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$21,115</u></u>

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Gratis, Preble County, Ohio (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 water and sewer utilities, park operations, fire and emergency squad services, and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

**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 Deposits**

Village funds are pooled in a checking account with a local commercial bank.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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 real estate and personal property taxes and contracts with Gratis Township to provide for the protection of area citizens.

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

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

EMS Fund

This fund receives real estate and personal property taxes and contracts with Gratis Township and the Village of West Elkton to provide for the protection of area citizens.

**3. Enterprise Funds**

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

Water Fund

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

Sewer Fund

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

**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 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. However, there are no additional material outstanding encumbrances at December 31, 2001, and 2000.

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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

	<b>2001</b>	<b>2000</b>
Demand deposits	\$227,601	\$235,836

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,857	\$72,292	\$(5,565)
Special Revenue	250,792	198,123	(52,669)
Enterprise	227,788	219,837	(7,951)
Total	\$556,437	\$490,252	\$(66,185)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,830	\$74,375	\$22,455
Special Revenue	245,198	206,752	38,446
Capital Projects	58	0	58
Enterprise	335,700	236,477	99,223
Total	\$677,786	\$517,604	\$160,182

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,947	\$79,193	\$1,246
Special Revenue	242,397	242,566	169
Enterprise	227,788	218,572	(9,216)
Total	\$548,132	\$540,331	\$(7,801)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,500	\$85,998	\$34,502
Special Revenue	298,874	257,389	41,485
Capital Projects	58	0	58
Enterprise	355,165	237,132	118,033
Total	\$774,597	\$580,519	\$194,078

**4. PROPERTY TAX**

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

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

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

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Sewer Revenue Bonds	\$395,000	5.00%
Water Revenue Bonds	100,000	Varies
Ambulance Loan	33,113	6.25%
Fire Truck Loan	12,040	5.50%
Total	\$540,153	

The Sewer Revenue Bonds relate to mortgage revenue bonds issued in 1980. The bonds will be repaid in annual installments over 40 years.

The Water Revenue Bonds relate to mortgage revenue bonds issued in 1998 to fund improvements to the Village's water system. The bonds will be repaid in semi-annual installments over 15 years.

The Ambulance Loan was obtained in 1998 to purchase an ambulance for the Village. The loan is to be repaid in twelve semi-annual installments of \$8,421, including interest.

The Fire Truck Loan was obtained in 1998 to purchase a fire truck for the Village. The loan is to be repaid in semi-annual installments of \$3,960, excluding interest.

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

Year ending December 31:	Sewer Revenue Bonds	Water Revenue Bonds	Ambulance Loan	Fire Truck Loan
2002	\$32,750	\$10,357	\$16,841	\$8,466
2003	33,100	10,112	16,841	4,094
2004	32,400	9,862	7,330	
2005	32,700	9,607		
2006	32,950	14,350		
2007 – 2011	162,250	63,830		
2012 – 2016	164,200	21,688		
2017 – 2020	130,850			
Total	\$621,200	\$139,806	\$41,012	\$12,560

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

**7. RETIREMENT SYSTEMS**

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

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

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**9. DEBT SERVICE TRUSTEED FUNDS**

The 1998 Water Revenue Bond agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2001, the custodian held \$11,567 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.





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OFFICE OF THE AUDITOR

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

Village of Gratis  
Preble County  
404 Harrison Street  
P.O. Box 574  
Gratis, Ohio 45330

To the Village Council:

We have audited the accompanying financial statements of the Village of Gratis, Preble County, Ohio (the Village), as of and for the years ended December 31, 2001, and 2000, and have issued our report thereon dated June 28, 2002, which was qualified due to the omission of the activity from the Fire Department accounts. Except for this matter, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The instance of noncompliance is described in the accompanying schedule of findings as item 2001-30368-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 28, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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. Reportable conditions are described in the accompanying schedule of findings as items 2001-30368-001, 2001-30368-002, and 2001-30368-003.

Village of Gratis  
Preble County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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. However, of the reportable conditions described above, we consider item 2001-30368-003 to be 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 June 28, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

June 28, 2002

VILLAGE OF GRATIS  
PREBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30368-001

**Compliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41 (D), requires 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 to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village 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, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Twenty-one percent of expenditures tested for the audit period were not properly certified and did not meet one of the two exceptions above.

Failure to certify the availability of funds and properly encumber expenditures can result in overspending funds and negative cash fund balances.

We recommend the Village properly utilize the encumbrance method of accounting by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2001-30368-002

**Reportable Condition**

During payroll testing we had difficulty verifying that the EMS squad members were correctly paid for their services. The squad members should provide adequate supporting documentation for their payroll to the Clerk. The squad members should submit to the Clerk squad run summaries approved by the EMS Chief. We recommend that the Clerk verify this information for accuracy before processing the squad members' payroll.

**FINDING NUMBER 2001-30368-003**

**Material Weakness**

The Village Fire Department has separate bank accounts, in which the activity is not reflected in the Village's financial records or statements. Such activity should be included within the Fire Fund in order to conform with the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting.

Without the knowledge of Village officials, the Fire Department collected donations and other monies and deposited these funds into the bank accounts noted above. They also expended funds utilizing the above accounts without the use of purchase orders or approvals.

We recommend all Fire Department receipts and expenditures be accounted for on the Village's financial records. All accounting entries should be posted in chronological order and reflect year-to-date totals. The Fire Department records should be reconciled with the bank activity on a monthly basis. Failure to record all financial activity for the above mentioned fund could result in misappropriation of funds and inaccurate reporting of village activity.

The Village's EMS Department also had two external bank accounts. However, all activity for the EMS Department is reflected on the financial statements. The first EMS Department account was closed in October 2000. The second EMS Department account was closed in September 2001. The remaining bank account balances were reflected as receipts on the Village's books.

All financial activity of the Village should be accurately presented in the Village's financial statements and reviewed by Council for reasonableness. The Village has requested the above mentioned information from the Fire Department, but the Fire Department has not responded to the requests.

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1999-30368-001	Revised Code 117.43, failure to follow the village uniform system of accounting	Yes	
1999-30368-002	Administrative Code 117-5-09, off the books accounts for the Fire Department and EMS Department	No	Partially corrected-no longer applicable as a cite; reissued as Finding 2001-30368-003
1999-30368-003	Inadequate segregation of duties	Yes	
1999-30368-004	Revised Code 5705.41(D), failure to properly certify funds	No	Reissued as Finding 2001-30368-001
1999-30368-005	Revised Code 5705.41(B), expenditures exceeded appropriations	No	Partially corrected; reissued as management letter comment





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF GRATIS**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 30, 2002**