

**VILLAGE OF GORDON**

DAYTON REGION, DARKE COUNTY

**REGULAR AUDIT**

JANUARY 1, 2004 THROUGH DECEMBER 31, 2005





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Gordon  
300 Center Street  
Gordon, Ohio 45329

We have reviewed the *Report of Independent Accountants* of the Village of Gordon, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Gordon is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 21, 2007

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**VILLAGE OF GORDON  
DARKE COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC**  
**6105 NORTH DIXIE DRIVE**  
**DAYTON, OHIO 45414**

**REPORT OF INDEPENDENT ACCOUNTANTS**

Village Council  
Village of Gordon  
300 Center Street  
Gordon, Ohio 45329

We have audited the accompanying financial statements of the Village of Gordon, Darke County, Ohio (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 the financial statements based on our audit.

Except as discussed below, 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared 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.

Due to inadequate accounting records related to miscellaneous revenues, we were unable to form an opinion regarding miscellaneous revenues in the General Fund and Special Revenue Funds for the year ended 2004, which reported \$133 in the accompanying financial statements. The Village failed to make deposits from July 7, 2004 through May 21, 2005. The Village requested from the Darke County Auditor a re-issuance of checks during that period, for taxes and intergovernmental receipts; those were deposited May 21, 2005. Miscellaneous revenues were 3% in 2005 and 0% in 2004 of total receipts.

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 large (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 the 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 for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the miscellaneous revenues in the General Fund and Special Revenue Funds had sufficient records and been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Gordon, Darke 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 a report dated December 14, 2006, on our consideration of the Village's internal control structure 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.

Manning & Associates CPAs, LLC  
Dayton, Ohio

December 14, 2006

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**VILLAGE OF GORDON  
DARKE 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**

	<b>GOVERNMENTAL FUND TYPES</b>		<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Taxes	\$ 10,683	\$ 0	\$ 10,683
Intergovernmental Receipts	50,551	12,151	62,702
Interest	365	77	442
Miscellaneous	<u>2,068</u>	<u>0</u>	<u>2,068</u>
<b>Total Cash Receipts</b>	<b>\$ <u>63,667</u></b>	<b>\$ <u>12,228</u></b>	<b>\$ <u>75,895</u></b>
<b>Cash Disbursements:</b>			
General Government	\$ 30,566	\$ 0	\$ 30,566
Security of Persons and Property	6,741	0	6,741
Public Health Services	630	0	630
Leisure Time Activities	3,253	0	3,253
Basic Utility Services	10,589	0	10,589
Transportation	<u>0</u>	<u>1,440</u>	<u>1,440</u>
<b>Total Cash Disbursements</b>	<b>\$ <u>51,779</u></b>	<b>\$ <u>1,440</u></b>	<b>\$ <u>53,219</u></b>
<b>Total Receipts Over/ (Under) Disbursements</b>	<b>\$ 11,888</b>	<b>\$ 10,788</b>	<b>\$ 22,676</b>
<b>Fund Cash Balances, January 1, 2005</b>	<u>78,785</u>	<u>37,422</u>	<u>116,207</u>
<b>Fund Cash Balances, December 31, 2005</b>	<u><u>\$ 90,673</u></u>	<u><u>\$ 48,210</u></u>	<u><u>\$ 138,883</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF GORDON  
DARKE 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**

	GOVERNMENTAL FUND TYPES		Total (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Taxes	\$ 17,914	\$ 0	\$ 17,914
Intergovernmental Receipts	6,926	8,634	15,560
Interest	409	0	409
Miscellaneous	0	133	133
Total Cash Receipts	<u>\$ 25,249</u>	<u>\$ 8,767</u>	<u>\$ 34,016</u>
<b>Cash Disbursements:</b>			
General Government	\$ 26,040	\$ 0	\$ 26,040
Security of Persons and Property	8,356	0	8,356
Public Health Services	308	0	308
Leisure Time Activities	2,586	0	2,586
Basic Utility Services	10,210	0	10,210
Transportation	0	1,349	1,349
Total Cash Disbursements	<u>\$ 47,500</u>	<u>\$ 1,349</u>	<u>\$ 48,849</u>
Total Receipts Over/ (Under) Disbursements	\$ (22,251)	\$ 7,418	\$ (14,833)
<b>Fund Cash Balances, January 1, 2004</b>	<u>101,036</u>	<u>30,004</u>	<u>131,040</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u><u>\$ 78,785</u></u>	<u><u>\$ 37,422</u></u>	<u><u>\$ 116,207</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF GORDON  
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Gordon of Darke 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 Mayor and seven-member Council. The Village provides general governmental services, including street maintenance and fire protection 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 a payment is made 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**

The Village maintains an interest bearing checking account.

**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:

**General Fund:**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**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 money for constructing, maintaining, and repairing Village streets.

**State Highway Improvement Fund** – This fund receives shared revenue from gasoline sales for constructing, maintaining, and repairing State Highways.

**VILLAGE OF GORDON  
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

**E. Budgetary Process**

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

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**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 AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Demand deposits	<u>\$138,883</u>	<u>\$116,207</u>

**Deposits:**

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

**VILLAGE OF GORDON  
DARKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004**

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**3. BUDGETARY ACTIVITY**

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

**2005 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,000	\$ 63,667	\$ 31,667
Special Revenue	14,000	12,228	(1,772)
Total	<u>\$ 46,000</u>	<u>\$ 75,895</u>	<u>\$ 29,895</u>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 127,780	\$ 51,779	\$ 76,001
Special Revenue	25,895	1,440	24,455
Total	<u>\$ 153,675</u>	<u>\$ 53,219</u>	<u>\$ 100,456</u>

**2004 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,660	\$ 25,249	\$ (23,411)
Special Revenue	8,200	8,767	567
Total	<u>\$ 56,860</u>	<u>\$ 34,016</u>	<u>\$ (22,844)</u>

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 47,500	\$ (47,500)
Special Revenue	0	1,349	(1,349)
Total	<u>\$ 0</u>	<u>\$ 48,849</u>	<u>\$ (48,849)</u>

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the General Fund and all Special Revenue Funds by 100% for the years ended December 31, 2004.

**VILLAGE OF GORDON  
DARKE COUNTY**

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

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**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

**5. RETIREMENT SYSTEMS**

The Village's elected officials belong to the Social Security System. This plan provides retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Members of the Social Security System contributed 6.2% of their wages to Social Security. The Village has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**MANNING & ASSOCIATES, CPAs, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

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

Village Council  
Village of Gordon  
300 Center Street  
Gordon, Ohio 45329

We have audited the financial statements of the Village of Gordon, Darke County (the Village), as of and for the years ended December 31, 2005, and 2004, and have issued our report thereon dated December 14, 2006, which was qualified due to inadequate accounting records concerning miscellaneous revenues reported in 2004. 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 certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001, 2005-004, 2005-007, 2005-008, 2005-009 and 2005-010.

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 2005-001, 2005-004, 2005-007, 2005-008, and 2005-009 listed above to be a material weakness. In a separate letter to the Village's management dated December 14, 2006, we reported other matters involving internal control over financial reporting 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 of its compliance with certain provisions of laws, regulations, contracts and grants 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 that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-007. In a separate letter to the Village's management dated December 14, 2006, we reported other matters related to noncompliance we deemed immaterial

We intend this report solely for the information and use of management and Council. It is not intended for anyone other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

December 14, 2006



**VILLAGE OF GORDON  
DARKE 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**

**Deposit of Village Receipts**

**Ohio Revised Code Section 9.38** provides that public money must be deposited with the Fiscal Officer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. Only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day. Public monies received by the Fiscal Officer were not deposited in a timely manner and during the audit period.

From January 1, 2004 through May 21, 2004 no deposits were made of receipts collected at the Village office or through the Fiscal Officer with the exception of State and interest receipts, since these are provided through electronic fund transfers. On May 21, 2004 a deposit was made for \$17,871.87 consisting of receipts from January 1, 2004 through May 21, 2004.

From July 7, 2004 through May 1, 2005, no deposits were made of receipts collected at the Village office or through the Fiscal Officer with the exception of State and interest receipts, since these are provided through electronic fund transfers. In 2005, the Village requested from the Darke County Auditor replacement checks in the amount of \$36,904.42 for the period July 7, 2004 through May 1, 2005. Their check was deposited on May 23, 2005. There were no records to support any additional receipts collected during this period.

The Village's deposit procedures should assure that receipts are deposited on a timely basis. The Village Council should adopt policies to follow the Ohio Revised Code. Council should also adopt effective monitoring policies.

Response: Previous Clerk had health issues which caused her to neglect her duties, subsequently she resigned. Council has established oversight procedures for monitoring. The Village has also implemented the UAN accounting system for improved efficiency.

**FINDING NUMBER 2005-002**

**Adoption of Annual Appropriation Measure**

**Ohio Rev. Code Section 5705.38** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not pass a permanent annual appropriation measure for fiscal year 2004. A temporary appropriation measure was passed at the regular meeting for fiscal year 2004, it was not sent to the County Auditor for approval.

**VILLAGE OF GORDON VILLAGE  
DARKE COUNTY**

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

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

**FINDING NUMBER 2005-002 (continued)**

Additionally, **Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village should implement monitoring procedures such as a tickler file to ensure that all required budgetary documents have been approved and filed in a timely manner.

Response: The Village has worked with Darke County Auditor for guidance and will make every effort to be in compliance in future years.

**FINDING NUMBER 2005-003**

**Appropriation Exceeding Fund Resources**

**Ohio Revised Code Section 5705.39** requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

For fiscal year end December 31, 2005, appropriations exceeded beginning balance plus estimated resources in the General Fund \$16,995.

With appropriations exceeding estimated resources the Village may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

Response: This was due to the incomplete and inaccurate books and records at the time of filing. Council and Fiscal Officer are knowledgeable on budgetary law.

**VILLAGE OF GORDON VILLAGE  
DARKE 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 2005-004**

**Purchase Orders**

**Ohio Rev. Code Section 5705.41(D)** 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) 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 District can authorize the drawing of a warrant for the payment of the amount due. The District 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 District.

2. **Blanket certificate** – 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 line item appropriation.
3. **Super Blanket certificate** – The district 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 one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for expenditures and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can lead to misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are utilized, 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 that Village funds will exceed budgetary spending limitations, we recommend that the Village Clerk certify that the funds are or will be available prior to the 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

**VILLAGE OF GORDON  
DARKE 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 2005-004 (continued)**

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.

Response: Previous Clerk had health issues which caused her to neglect her duties, subsequently she resigned. Council has established oversight procedures for monitoring. The Village has also implemented the UAN accounting system for improved efficiency.

**FINDING NIMBER 2005-005**

**Certification of Tax Levies**

**Ohio Rev. Code Section 5705.34**, states that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1, unless a later date is approved by the tax commissioner.

The Village did not pass an ordinance to authorize the necessary tax levies for 2004 or 2005.

The Village Council should review this section of the Ohio Rev. Code and implement procedures to improve compliance with the requirement.

Response: Council will monitor and file by October 1 in future years.

**FINDING NIMBER 2005-006**

**Failure to File Annual Reports**

**Ohio Rev. Code Section 117.38** requires each public office to file a financial report for each fiscal year with the Auditor of State within 60 days. It further requires that upon filing the Fiscal Officer shall publish notice in a newspaper of general circulation in the subdivision that the annual financial report has been completed and is available for inspection at the office of the Village.

The Village failed to file the annual report with the Auditor of State for 2005, and filed the 2004 report June, 18, 2005. Also, there was no indication of a published notice that the annual reports were available for inspection in both 2004 and 2005.

The Village Council should develop procedures for monitoring compliance with the annual report filing and publication requirements.

Response: Previous Clerk had health issues which caused her to neglect her duties, subsequently she resigned. New Fiscal Officer is aware of the Village filing requirements.

**VILLAGE OF GORDON  
DARKE COUNTY**

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

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

**FINDING NUMBER 2005-007**

**Village Books and Records**

**Ohio Rev. Code, Section 733.28**, provides that the Village Fiscal Officer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code.

The Village did not maintain an accurate record of all monies received. The accounting records of the Village were incomplete and inaccurate.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Village's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Village funds, reduces the Councils ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected and increases likelihood that the Village's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited with the financial institution. Failure to timely and accurately remit payroll withholdings to the appropriate agencies can make the Village liable for penalties and interest. Failure to properly certify budgetary documents can result in overspending funds and negative cash balances.

Due to the lack of complete books and records for 2005, a third party was contracted to complete the missing data and year end reports. This lead to the Fiscal Officer reimbursing the Village her pay and resigning from her position.

Response: Previous Clerk had health issues which caused her to neglect her duties, subsequently she resigned. Council has established oversight procedures for monitoring. The Village has also implemented the UAN accounting system for improved efficiency.

**VILLAGE OF GORDON  
DARKE COUNTY**

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

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

**FINDING NUMBER 2005-008**

**Monthly Bank Reconciliations**

Deficiencies were noted in the Village's completion of monthly bank-to-book reconciliations. Monthly bank-to-book reconciliations should be prepared, and all accounts belonging to the Village should be included on the monthly reconciliation.

- There was no indication that Council reviewed bank-to-book reconciliations.
- Reconciliations were not performed in an efficient and timely manner.

Risks associated with these conditions include the possibility of loss of revenue; missing or duplicate posting of cash receipts and disbursements; and reconciliation errors that could go undetected. To strengthen internal accounting controls, reduce errors in recording transactions, and to provide management with reasonable assurance that cash reconciliation procedures are in place, the following control should be implemented:

- The monthly bank-to-book reconciliations should be reviewed by Council, along with a list of outstanding checks, and the reconciled bank balance should be compared to the cashbook balance to ensure the amounts correspond. The balance of the cashbook should be reviewed to ensure that all active and invested money under the control of the Trustees is included. Council should date and initial the monthly reconciliation as documentation of their review.

Response: Previous Clerk had health issues which caused her to neglect her duties, subsequently she resigned. Council has established oversight procedures for monitoring. The Village has also implemented the UAN accounting system for improved efficiency.

**VILLAGE OF GORDON  
DARKE COUNTY**

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

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

**FINDING NIMBER 2005-009**

**Developing and Implementing and Effective Monitoring Control System**

The Village has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial or other information. The Village should develop and implement a monitoring control system to determine that material misstatements or misappropriation of assets do not occur.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Council:

- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Planning for adequate separation of duties or compensating controls.
- Ensuring the accounting records are properly designed

Response: Council has established monitoring procedures. The Village has also implemented using the UAN accounting system, which will aid in the reporting and monitoring functions to Council.

**FINDING NIMBER 2005-010**

**Payroll Taxes and Filings**

Failure to withhold Medicare, and social security taxes – 26 U.S.C. 3102 of the Internal Revenue Code requires employers to withhold Medicare tax from employees hired after April 1, 1986. The Village did not withhold Medicare or social security taxes from eligible officials and employees. In addition, no state or local taxes were withheld from employees.

The Village failed to file payroll tax filings with the appropriate agencies in a timely manner, in which penalties and interest was assessed to the Village.

Form W-2's for the audit periods 2004 and 2005 did not match quarterly filings. The W-2's should be reviewed for accuracy and traced to quarterly filings to locate any discrepancies.

Response: Previous Clerk had health issues which caused her to neglect her duties, subsequently she resigned. Council has established oversight procedures for monitoring. The Village has also implemented the UAN accounting system for improved efficiency.







**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF GORDON**

**DARKE 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 31, 2007**