



**Auditor of State  
Betty Montgomery**



VILLAGE OF GANN  
KNOX COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Gann  
Knox County  
P.O. Box 305  
Brinkhaven, Ohio 43006

To the Village Council:

We have audited the accompanying financial statements of the Village of Gann (the Village) as of and for the years ended December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, 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, 2002, and December 31, 2001, 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 30, 2003, 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.

Village of Gann  
Knox County  
Independent Accountants' Report  
Page 2

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

**BETTY MONTGOMERY**  
Auditor of State

June 30, 2003

**VILLAGE OF GANN  
KNOX COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$1,941	\$2,430	\$4,371
Intergovernmental Receipts	14,106	3,369	17,475
Earnings on Investments	1,160	0	1,160
Miscellaneous	1,056	21	1,077
	<u>18,263</u>	<u>5,820</u>	<u>24,083</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	2,871	443	3,314
Leisure Time Activities	1,832		1,832
Basic Utility Services	1,009	0	1,009
Transportation	4,787	5,905	10,692
General Government	11,379	13	11,392
	<u>21,878</u>	<u>6,361</u>	<u>28,239</u>
Total Receipts (Under) Disbursements	(3,615)	(541)	(4,156)
Fund Cash Balances, January 1, 2002	<u>52,721</u>	<u>6,349</u>	<u>59,070</u>
<b>Fund Cash Balances, December 31, 2002</b>	<u><b>\$49,106</b></u>	<u><b>\$5,808</b></u>	<u><b>\$54,914</b></u>
Reserves for Encumbrances, December 31, 2002	<u>\$944</u>	<u>\$0</u>	<u>\$944</u>

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

**VILLAGE OF GANN  
KNOX 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>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$1,562	\$2,505	\$4,067
Intergovernmental Receipts	16,030	3,260	19,290
Earnings on Investments	2,307	0	2,307
Miscellaneous	861	1	862
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	20,760	5,766	26,526
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	2,857	775	3,632
Leisure Time Activities	2,419	0	2,419
Basic Utility Services	1,265	0	1,265
Transportation	40	15,973	16,013
General Government	16,043	11	16,054
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	22,624	16,759	39,383
Total Receipts (Under) Disbursements	(1,864)	(10,993)	(12,857)
Fund Cash Balances, January 1, 2001	<hr/>	<hr/>	<hr/>
	54,585	17,342	71,927
<b>Fund Cash Balances, December 31, 2001</b>	<b><u>\$52,721</u></b>	<b><u>\$6,349</u></b>	<b><u>\$59,070</u></b>
Reserves for Encumbrances, December 31, 2001	<hr/>	<hr/>	<hr/>
	<u>\$367</u>	<u>\$0</u>	<u>\$367</u>

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



**VILLAGE OF GANN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Gann, Knox 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 government services and park operations.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF GANN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

A summary of 2002 and 2001 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 investment 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:

	2002	2001
Demand deposits	\$13,028	\$8,292
Certificates of deposit	41,886	50,778
Total deposits	\$54,914	\$59,070

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

**VILLAGE OF GANN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,234	\$18,263	\$29
Special Revenue	6,915	5,820	(1,095)
Total	\$25,149	\$24,083	(\$1,066)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,785	\$22,822	\$17,963
Special Revenue	6,378	6,361	17
Total	\$47,163	\$29,183	\$17,980

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,527	\$20,760	\$1,233
Special Revenue	3,298	5,766	2,468
Total	\$22,825	\$26,526	\$3,701

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,778	\$22,991	\$23,787
Special Revenue	17,900	16,759	1,141
Total	\$64,678	\$39,750	\$24,928

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the 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.

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.

**VILLAGE OF GANN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

**5. RETIREMENT SYSTEM**

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**7. JOINTLY GOVERNED ORGANIZATION**

The Eastern Knox County Joint Fire District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District was formed in 2001 and consists of the following entities: Danville and Gann Villages, Brown, Butler, Harrison, Howard, Jefferson, and Union Townships. The District Board consists of a Trustee from each Township, a Council member from each Village and an at-Large member appointed by vote of the District Board. Revenues are generated from a 5 mill operating levy.



**Auditor of State  
Betty Montgomery**

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

Village of Gann  
Knox County  
P.O. Box 305  
Brinkhaven, Ohio 43006

To the Village Council:

We have audited the accompanying financial statements of the Village of Gann (the Village) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated June 30, 2003. 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*, which is described in the accompanying schedule of finding as item 2002-001.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 30, 2003.

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Village of Gann  
Knox County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

**BETTY MONTGOMERY**  
Auditor of State

June 30, 2003

**VILLAGE OF GANN  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation**

**Certification of Funds**

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance by the issuance of a regular certificate, a blanket certificate, or a super blanket certificate. Blanket certificates can be issued for an amount not exceeding \$5,000 against any specific line item account over a period not exceeding three months, and not extending beyond the end of the current fiscal year. A super blanket certificate may be issued for any amount from a specific line item appropriation account in a specific fund, for most recurring or reasonably predictable operating expenditures. Super blankets may not exceed beyond the current fiscal year.

This section also provides two exceptions to the above requirements:

- A. 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 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 (a then and now certificate), if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of Council. As of April 7, 2003, this amount was increased to three thousand dollars.

Seventy-eight percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. 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 funds being over expended or exceeding budgetary spending limitations, we recommend that the Village Clerk/Treasurer certifies that the funds are or will be available prior to obligation by Village personnel. When prior certification is not possible, then and now certification should be utilized.

**VILLAGE OF GANN  
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-001	Revised Code 733.28, failure to keep an accurate account of the balance in each fund.	Yes	
2000-002	Revised Code 117.43, failure to follow AOS requirements for accounting and financial reporting.	Yes	
2000-003	Revised Code 5705.41 (D), failure to properly encumber funds	No	Not Corrected, see finding 2002-001
2000-004	Revised Code 149.351, failure to retain supporting documentation	Partially corrected	Included in Management Letter
2000-005	Failure to perform Government oversight activities	Yes	
2000-006	Revised Code 9.38, failure to deposit funds in a timely manner	Yes	
2000-007	Revised Code 145.01, PERS deductions were not paid for the Clerk/Treasurer	Yes	
2000-008	Failure to pay the Clerk/Treasurer according to the approved ordinance	Yes	





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF GANN**

**KNOX 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  
SEPTEMBER 2, 2003**