

VILLAGE OF GORDON

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2002 THROUGH DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Village Council
Village of Gordon
300 Center St.
Gordon, OH 45329

We have reviewed the Independent Auditor's Report of the Village of Gordon, Darke County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2002 through December 31, 2003. 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.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 2, 2004

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**VILLAGE OF GORDON
DARKE COUNTY**

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

REPORT OF INDEPENDENT AUDITORS'

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

We conducted our audits 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 audits provide a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

October 1, 2004

**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, 2003

	GOVERNMENTAL FUND TYPES		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Taxes	\$ 10,848	\$ 0	\$ 10,848
Intergovernmental Receipts	31,844	8,003	39,847
Miscellaneous	2,512	298	2,810
Total Cash Receipts	\$ 45,204	\$ 8,301	\$ 53,505
Cash Disbursements:			
General Government	\$ 14,369	\$ 0	\$ 14,369
Security of Persons and Property	7,497	0	7,497
Public Health Services	585	0	585
Leisure Time Activities	5,781	0	5,781
Basic Utility Services	9,560	0	9,560
Transportation	0	43,913	43,913
Total Cash Disbursements	\$ 37,792	\$ 43,913	\$ 81,705
Total Receipts Over/ (Under) Disbursements	\$ 7,412	\$ (35,612)	\$ (28,200)
Other Receipts/(disbursements):			
Transfers-in	0	35,000	35,000
Transfers-out	(35,000)	0	(35,000)
Total Other Receipts/(disbursements)	\$ (35,000)	\$ 35,000	\$ 0
Excess of cash receipts and other receipts over (under) cash disbursements and other disbursements	(27,588)	(612)	(28,200)
Fund Cash Balances, January 1, 2003	128,624	30,616	159,240
Fund Cash Balances, December 31, 2003	\$ 101,036	\$ 30,004	\$ 131,040

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, 2002

	GOVERNMENTAL FUND TYPES		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Taxes	\$ 10,301	\$ 0	\$ 10,301
Intergovernmental Receipts	32,319	7,779	40,098
Miscellaneous	3,380	532	3,912
Total Cash Receipts	\$ 46,000	\$ 8,311	\$ 54,311
Cash Disbursements:			
General Government	\$ 21,241	\$ 0	\$ 21,241
Security of Persons and Property	7,242	0	7,242
Public Health Services	578	0	578
Leisure Time Activities	1,595	0	1,595
Basic Utility Services	10,030	0	10,030
Transportation	0	2,272	2,272
Total Cash Disbursements	\$ 40,686	\$ 2,272	\$ 42,958
Total Receipts Over/ (Under) Disbursements	\$ 5,314	\$ 6,039	\$ 11,353
Other Receipts/(disbursements):			
Transfers-in	\$ 0	0	0
Transfers-out	0	0	0
Total Other Receipts/(disbursements)	\$ 0	\$ 0	\$ 0
Excess of cash receipts and other receipts over (under) cash disbursements and other disbursements	5,314	6,039	11,353
Fund Cash Balances, January 1, 2002	123,310	24,577	147,887
Fund Cash Balances, December 31, 2002	\$ 128,624	\$ 30,616	\$ 159,240

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, 2003 AND 2002

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, 2003 AND 2002

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 2003 and 2002 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:

	2003	2002
Demand deposits	<u>\$131,040</u>	<u>\$159,240</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 FINACIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2003, and 2002 was as follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,480	\$45,204	\$ (5,276)
Special Revenue	<u>8,400</u>	<u>43,301</u>	<u>34,901</u>
Total	<u>\$58,880</u>	<u>\$88,505</u>	<u>\$29,625</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$171,000	\$ 72,792	\$98,208
Special Revenue	<u>35,000</u>	<u>43,913</u>	<u>(8,913)</u>
Total	<u>\$206,000</u>	<u>\$116,705</u>	<u>\$89,295</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,410	\$46,000	\$ (1,410)
Special Revenue	<u>7,800</u>	<u>8,311</u>	<u>511</u>
Total	<u>\$55,210</u>	<u>\$53,311</u>	<u>\$ (899)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$169,250	\$40,686	\$128,564
Special Revenue	<u>29,500</u>	<u>2,272</u>	<u>27,228</u>
Total	<u>\$198,750</u>	<u>\$42,958</u>	<u>\$155,792</u>

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 payment, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF GORDON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

4. PROPERTY TAX (Continued)

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 employees and elected officials are required to belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. This plan provides retirement benefits, including post-retirement health care, 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 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Village is required to contribute an amount equal to 13.55% of participants' gross salaries. The Village did not withhold and has not paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

**REPORT OF INDEPENDENT ACCOUNTANTS' ON COMPLIANCE AND ON INTERNAL
CONTROL 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, 2003 and 2002, and have issued our report thereon dated October 1, 2004. We conducted our audits 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 no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of October 1, 2004.

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 specific 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 operations that we consider to be material weaknesses. However, we noted immaterial instances of other matters involving internal control that we have reported to management of the Village in a separate letter dated October 1, 2004.

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

October 1, 2004



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 18, 2004**