

VILLAGE OF GANN
KNOX COUNTY, OHIO

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

J. E. Slaybaugh & Associates, Inc.
Certified Public Accountant
12 East Main Street
Lexington, Ohio 44904



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of Village of Gann, Knox County, prepared by J. E. Slaybaugh & Associates, Inc., for the audit period January 1, 1999 to December 31, 2000. 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 Gann is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 16, 2001

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VILLAGE OF GANN
KNOX COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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**VILLAGE OF GANN
KNOX COUNTY**

P.O. Box 305
Brinkhaven, Ohio 43006

**ELECTED OFFICIALS
AS OF DECEMBER 31, 2000**

NAME	TITLE	TERM OF OFFICE	SURETY	AMOUNT	PERIOD
Stephen E. Hammons	Mayor	1/1/00 - 12/31/03	(A)	\$ 10,000	(B)
Gary R. Short	Council Member	1/1/00 - 12/31/03			
Gary M. Worster	Council Member	1/1/00 - 12/31/03			
Joann M. Worster	Council Member	1/1/00 - 12/31/03			
Richard L. Craven	Council Member	1/1/00 - 12/31/03			
Gary Stone	Council Member	1/1/00 - 12/31/03			
Norma Craven	Council Member	Appointed			
Velma M. Short	Clerk/Treasurer	Appointed	(A)	\$ 10,000	(B)

Statutory Legal Counsel

Richard B. Murray, Attorney at Law
110 East Gambier Street
Mt. Vernon, Ohio 43050

- (A) Western Surety
(B) Concurrent With Term

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John E. Slaybaugh III
Certified Public Accountant

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Village of Gann, Knox County, Ohio, as of and for the years ended December 31, 1999 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.

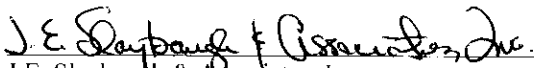
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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 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 and reserves for encumbrances of Village of Gann, Knox County, Ohio, as of December 31, 1999 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 September 28, 2001 on our consideration of the Village's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, 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.


J.E. Slaybaugh & Associates, Inc.

Lexington, Ohio
September 28, 2001

**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, 2000**

	General	Special Revenue	(Memorandum Only) <u>Total</u>
CASH RECEIPTS:			
Local Taxes	\$ 2,339	\$ 2,672	\$ 5,011
Intergovernmental	15,572	4,422	19,994
Interest	1,915		1,915
Miscellaneous	<u>3,966</u>	<u>2</u>	<u>3,968</u>
 Total Cash Receipts	 <u>23,792</u>	 <u>7,096</u>	 <u>30,888</u>
 CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	2,605	785	3,390
Leisure Time Activities	765		765
Basic Utility Services	1,171		1,171
Transportation	1,191	1,222	2,413
General Government	<u>13,587</u>	<u>13</u>	<u>13,600</u>
 Total Cash Disbursements	 <u>19,319</u>	 <u>2,020</u>	 <u>21,339</u>
 Total cash receipts over/(under) cash disbursements	 <u>4,473</u>	 <u>5,076</u>	 <u>9,549</u>
 Fund Cash Balances - January 1, 2000	 <u>50,112</u>	 <u>12,266</u>	 <u>62,378</u>
 Fund Cash Balances - December 31, 2000	 <u>\$ 54,585</u>	 <u>\$ 17,342</u>	 <u>\$ 71,927</u>
 Reserve for Encumbrances - December 31, 2000	 <u>\$ 561</u>	 <u>\$ -</u>	 <u>\$ 561</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, 1999**

	General	Special Revenue	(Memorandum Only) <u>Total</u>
CASH RECEIPTS:			
Local Taxes	\$ 1,011	\$ 1,599	\$ 2,610
Intergovernmental	15,633	2,708	18,341
Interest	2,084		2,084
Miscellaneous	<u>58</u>		<u>58</u>
Total Cash Receipts	<u>18,786</u>	<u>4,307</u>	<u>23,093</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	2,598	786	3,384
Leisure Time Activities	663		663
Basic Utility Services	811		811
Transportation	3,400	11,233	14,633
General Government	9,229		9,229
Capital Outlay	<u>420</u>		<u>420</u>
Total Cash Disbursements	<u>17,121</u>	<u>12,019</u>	<u>29,140</u>
Total cash receipts over/(under) cash disbursements	<u>1,665</u>	<u>(7,712)</u>	<u>(6,047)</u>
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Transfers-In	739		739
Transfers-Out		<u>(739)</u>	<u>(739)</u>
Total other financing receipts/(disbursements)	739	(739)	-
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	2,404	(8,451)	<u>(6,047)</u>
Fund Cash Balances - January 1, 1999	<u>47,708</u>	<u>20,717</u>	<u>68,425</u>
Fund Cash Balances - December 31, 1999	<u>\$ 50,112</u>	<u>\$ 12,266</u>	<u>\$ 62,378</u>

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

VILLAGE OF GANN
KNOX COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2000 and 1999

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Gann, Knox 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. A publicly elected six-member Council directs the Village. The Village provides general governmental services, including fire service.

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 Deposits

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits 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 to be accounted for in another fund.

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 and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Fund . This fund receives fire levy money and contract monies for providing fire protection services.

VILLAGE OF GANN
KNOX COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2000 and 1999

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 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.

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.

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 re-appropriated.

A summary of 2000 and 1999 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 Deposits

The Village maintains a cash and deposit 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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 71,927	\$ 62,378

Deposits:

Deposits are insured by the Federal Depository Insurance Corporation.

VILLAGE OF GANN
KNOX COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2000 and 1999

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 18,264	\$ 23,792	\$ 5,528
Special Revenue	5,851	7,096	1,245
Total	\$ 24,115	\$ 30,888	\$ 6,773

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 43,450	\$ 19,880	\$ 23,570
Special Revenue	13,385	2,020	11,365
Total	\$ 56,835	\$ 21,900	\$ 34,935

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$18,600	\$ 19,525	\$ 925
Special Revenue	3,350	4,307	957
Total	\$ 21,950	\$ 23,832	\$ 1,882

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 43,525	\$ 17,121	\$ 26,404
Special Revenue	22,100	12,758	9,342
Total	\$ 65,625	\$ 29,879	\$ 35,746

VILLAGE OF GANN
KNOX COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2000 and 1999

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.

Tangible personal property 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. The receipts and disbursements presented in the financial statements are unclassified. This presentation is a material departure from the presentation prescribed by the Auditor of State in Sections 117-5-01 through 117-5-18 of the Ohio Administrative Code. Those sections of the Ohio Administrative Code require classifying receipts by source and disbursements by program.

6. Retirement Systems

The Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

- .Comprehensive property and general liability
- Errors and omissions

8. Special Audit

The Office of the Auditor of the State of Ohio conducted a "Special Audit", for the period January 1, 1998 through October 7, 1999, requested by the Village of Gann and issued their report on February 28, 2000. The audit was performed solely to determine whether there were expenditures made without supporting documentation by the former Clerk/Treasurer and to determine whether monies had been repaid from checks written to herself.

The audit resulted in findings for recovery against the former Clerk/Treasurer and the issuance of non-compliance citations and management comments.

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J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCP*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Village of Gann, Knox County, as of and for the years ended December 31, 1999 and 2000, and have issued our report thereon dated September 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

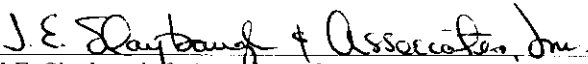
As part of obtaining reasonable assurance about whether Village of Gann's financial statements are free of material misstatement, we performed tests of its compliance with certain laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial 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 instances of noncompliance that are described in the accompanying schedule of findings as items 2000-001 through 2000-004 and 2000-006 through 2000-008.

Internal Control

In planning and performing our audit, we considered Village of Gann'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 structure. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be 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 judgement, 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 2000-001, 2000-002 and 2000-006.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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. Of the reportable conditions described above, we consider items 2000-001 and 2000-002 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Gann, Ohio, in a separate letter dated September 28, 2001.

This report is intended solely for the information and use of management, 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.



J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
September 28, 2001

VILLAGE OF GANN
KNOX COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2000 and 1999

Finding Number	2000-001
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Noncompliance/Reportable Condition

Receipts

Ohio Rev. Code, Section 733.28, requires the Village Clerk to keep the books of the village, exhibit accurate statements of all moneys received and expended, and maintain records of all the property owned by the village and the income derived.

Financial Records

An accurate record was not maintained for all moneys received as illustrated below:

- Receipts from the County Auditor that should be segregated into separate funds and line items were posted incorrectly to the wrong funds.
- Local taxes received were posted at the net amount, not the gross amount.
- State and local government revenues were not posted correctly to their annual financial report in 1999.

The Village is unable to keep an accurate account of the balance in each fund if receipts are posted incorrectly. This could ultimately lead to negative fund balances because the Village could spend more than is available in a particular fund. It is recommended that the Village take due care when posting receipts.

The Village implemented the State Auditor's UAN system in 2000 to help correct these deficiencies.

Finding Number	2000-002
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Noncompliance/ Reportable Condition

Uniformed System of Accounting

Ohio Revised Code, Section 117.43, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for villages, which is set forth in Ohio Administrative Code Chapter 117-5. The Village did not comply in the following instances:

- Rule 117-5-07, Ohio Administrative Code, establishes guidelines for the proper coding and classification of Village receipts. The Village did not always properly code and classify receipts.
- Rule 117-5-09, Ohio Administrative Code, provides guidelines for the proper and complete maintenance of a village cash journal. The Village did not follow the prescribed guidelines in that a cash journal was not complete and accurately maintained. The rule also states that the duplicate copy of a pay-in order shall remain in the binding and used as posting source for the cash journal.
- Rule 117-5-12 (A), Ohio Administrative Code, states "when money is received by a village, a pay-in order shall be executed. The date, amount received, payor, and other information shall be entered in spaces provided. The pay-in order shall be made in duplicate with the original given to the person making the payment." The Village did not follow the prescribed guidelines in properly issuing pay-in orders for all receipts.

VILLAGE OF GANN
KNOX COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2000 and 1999
(continued)

Finding Number	2000-002 continued
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- Rule 117-5-10, Ohio Administrative Code, requires that a village post to each receipt account the estimated amount of money to be received into the account as specified by the County budget commission. It also provides that receipts shall be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance"). The Village fiscal officer did not maintain a complete and accurate receipt ledger.
- Rule 117-5-11, Ohio Administrative Code, requires the Village to maintain an appropriation ledger in a complete and accurate form as prescribed. The Village did not maintain a complete and accurate appropriation ledger.
- Rule 117-5-13, Ohio Administrative Code, provides that each village must use purchase orders, as prescribed, for all expenditures. The Village either did not utilize or properly execute purchase orders when used.
- Rule 117-5-13 (A), Ohio Administrative Code, states "all purchase orders shall be numbered consecutively.
- Rule 117-5-13 (B), Ohio Administrative Code, states "each purchase order shall be made out in triplicate with the original given to the vendor. The second copy shall be filed with the village clerk to be used as a posting media to encumber the line-item appropriation as prescribed in Rule 117-5-11 of the Administrative Code. The third copy shall be returned to the individual initiating the purchase order or requisition, as the case may be. This third copy shall serve as a receiving report and be given to the clerk when the items are received and verified."
- Rule 117-5-14 (C), Ohio Administrative Code, states " each executed purchase order shall provide the date, appropriation fund classification, executed clerk's certificate, and the other required information."
- Rule 117-5-14 (A), Ohio Administrative Code, states a "voucher" is a written order authorizing the drawing of a warrant in payment of a lawful obligation of a village. The Village failed to utilize vouchers authorizing the drawing of a warrant in payment of a lawful Village obligation.

To provide accurate and complete financial information for management to use in the decision making process, and to aid in the accurate classification of receipts and disbursements on the Village's annual financial report, we recommend the Village maintain receipt and appropriation ledgers as prescribed by the Ohio Administrative Code. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report. The Village should obtain and execute purchase orders following the guidelines stated above of the Ohio Administrative Code. The Village should also create a voucher, placing supporting documentation on the inside of the voucher, and have Council members review and/or sign the voucher authorizing the drawing of a warrant for payment.

The Village implemented the State Auditor's UAN system in 2000 to help correct these deficiencies.

VILLAGE OF GANN
KNOX COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2000 and 1999
(Continued)

Finding Number	2000-003
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Noncompliance

Encumbering

Ohio Revised Code, Section 5705.41 (D), states that: No subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same...has been lawfully appropriated for such purpose and is in the treasury of in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. 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 encumbrance, the taxing authority 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.

If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without affirmation of the Village Council.

There was no indication that the prior clerk/treasurer certified transactions as to availability of funds

Failure to properly encumber expenditures can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village maintain proper supporting documentation for all expenditures. The Village should include the purchase order number on their transaction reports for easy reference. All disbursements should be listed in the minute record by warrant number and vendor and approved by Council before payment.

The Village implemented the State Auditor's UAN system in 2000 to help correct these deficiencies.

Finding Number	2000-004
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Noncompliance

Availability of Records

Ohio Revised Code, Section 149.351, establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Sections 149.38 to 149.42.

There were expenditures for which no supporting documentation was provided in the Village records.

We recommend that the Village create a records retention schedule and maintain all records following such schedule.

VILLAGE OF GANN
KNOX COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2000 and 1999
(Continued)

Finding Number	2000-005
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Reportable Condition

Segregation of Duties/Government Oversight

The small size of the Village's staff does not allow for an adequate segregation of duties. The Clerk handles all the financial record keeping including receipting and posting. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

We believe the following conditions indicate a need for increased oversight of management by the Council:
Village accounts were not properly reconciled; receipts and disbursements have been posted to incorrect funds and not detected and receipts were not posted to the system or deposited in the prescribed timely manner.

To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc.), to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer.

The Village implemented the State Auditor's UAN system in 2000 to help correct these deficiencies.

Finding Number	2000-006
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Noncompliance

Deposits

Ohio Revised Code Section 9.38 states that a public official other than a state officer, employee, or agent shall deposit all public monies received by him/her with the treasurer of the public office or properly designated depository as required in the section. This section was amended effective November 2, 1999 by Substitute House Bill Number 220 to state that monies received exceeding \$1,000 should be deposited the next business day. Amounts less than \$1,000 should be deposited within three business days unless the entity has a policy stating otherwise.

It was noted that during the year 1999 there were instances where the timing of a deposit ranged from three days to forty-five days from the date of receipt.

We recommend the Village follow the Ohio Revised Code and implement policies and procedures to ensure compliance with the amended requirement.

VILLAGE OF GANN
KNOX COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2000 and 1999
(Continued)

Finding Number	2000-007
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Noncompliance

PERS Contributions

Ohio Revised Code Section 145.01 requires that PERS contributions be deducted from public employees payroll.

PERS contributions were not deducted or paid for the former Clerk/Treasurer's salary during 1999. The current Clerk/Treasurer has filed all past and current annual PERS reports in compliance with regulations.

Finding Number	2000-008
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Noncompliance

Clerk/Treasurer Salary

At the December 14, 1998 Council Meeting, the Village Council passed a motion to "pay the clerk in December instead of every month." This was approved by all Council members present. During 1999, the former Clerk/Treasurer paid her entire year's salary in two checks written in June of 1999. This payment was neither approved by the Village Council nor did the Village Council amend their previous motion. The salary payments for the former Clerk/Treasurer were not made in accordance with this motion and resulted in an overpayment to her upon her resignation on October 7, 1999 for which a claim was made.

The current Clerk/Treasurer is being paid in accordance with the Village Council motion.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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800-282-0370
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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
NOVEMBER 27, 2001**