

**VILLAGE OF GRATIOT
LICKING COUNTY, OHIO
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2002 AND 2001**

**Lynch & Lynch CPA's Inc.
P.O. Box 307
5 South Fourth Street
Zanesville, Ohio 43701
(740)454-8527**



**Auditor of State
Betty Montgomery**

Village Council
Village of Gratiot
576 Main Street
Gratiot, Ohio 43740

We have reviewed the Independent Auditor's Report of the Village of Gratiot, Licking County, prepared by Lynch & Lynch CPA's Inc., for the audit period January 1, 2001 to December 31, 2002. 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 Gratiot is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

May 12, 2003

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**VILLAGE OF GRATIOT
LICKING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Gratiot
Licking County
576 Main Street
Gratiot, Ohio 43740

We have audited the accompanying financial statements of the village of Gratiot, Licking County, Ohio (the village) as of and for the years ended December 31, 2002 and 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 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 discussed in Note one, 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 fund cash balances of the Village of Gratiot, Licking county, Ohio, as of December 31, 2002 and December 31, 2001 and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note one.

In accordance with Government Auditing Standards, we have also issued a report dated May 2, 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.

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

Submitted by

Lynch & Lynch CPA's Inc.

Zanesville, Ohio
May 2, 2003

**VILLAGE OF GRATIOT
LICKING COUNTY**

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

	General	Special Revenue	(Memorandum Only) Totals
Cash Receipts:			
Real estate taxes	\$ 2,108.73	\$	\$ 2,108.73
Rollback and Homestead	249.92		249.92
Local government funds	23,554.61		23,554.61
Interest income	248.69		248.69
Other income	107.02		107.02
Gasoline excise tax		1,054.14	1,054.14
Cents per gallon excise tax		2,085.75	2,085.72
License fees		<u>1,869.87</u>	<u>1,869.87</u>
Total cash receipts	<u>26,268.97</u>	<u>5,009.73</u>	<u>31,278.70</u>
Cash Disbursements:			
Street lights	3,317.85		3,317.85
Expenses withheld by county auditor	40.80		40.80
Council fees	554.10		554.10
Mayor fees	166.23		166.23
Clerk – treasurer fees	831.15		831.15
Payroll taxes	519.73		519.73
Labor and waterway work	2,937.69		2,937.69
Election expense	373.72		373.72
Office supplies/expense	1,215.99		1,215.99
Land and building repairs/maintenance	6,927.42		6,927.42
Vehicle repairs and fuel	1,366.97		1,366.97
Insurance	1,998.90		1,998.90
County Health Department	159.88		159.88
Miscellaneous expense	504.67		504.67
Seal cracks on Main Street		<u>5,116.35</u>	<u>5,116.35</u>
Total cash disbursements	<u>20,915.10</u>	<u>5,116.35</u>	<u>26,031.45</u>
 Total receipts over/(under) disbursements	 <u>5,353.87</u>	 <u>(106.62)</u>	 <u>5,247.25</u>
Fund cash balances – January 1, 2002	<u>38,636.06</u>	<u>1,522.01</u>	<u>40,158.07</u>
Fund cash balances – December 31, 2002	<u>\$ 43,989.93</u>	<u>\$ 1,415.39</u>	<u>\$ 45,405.32</u>

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

**VILLAGE OF GRATIOT
LICKING COUNTY**

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

	General	Special Revenue	(Memorandum Only) Totals
Cash Receipts:			
Real estate taxes	\$ 2,057.56	\$	\$ 2,057.56
Rollback and Homestead	244.44		244.44
Local government funds	24,538.90		24,538.90
Workers Compensation refund	148.76		148.76
Interest income	474.58		474.58
Other income	61.41		61.41
Gasoline excise tax		985.86	985.86
Cents per gallon excise tax		1,955.53	1,955.53
License fees		<u>2,681.95</u>	<u>2,681.95</u>
Total cash receipts	<u>27,525.65</u>	<u>5,623.34</u>	<u>33,148.99</u>
Cash Disbursements:			
Street lights	3,334.83		3,334.83
Expenses withheld by County Auditor	37.04		37.04
Council fees	664.92		664.92
Mayor fees	124.67		124.67
Clerk – treasurer fees	831.15		831.15
Payroll taxes	650.26		650.26
Attorney fees	600.00		600.00
Office supplies/expenses	571.01		571.01
Land and building repairs/maintenance	3,090.40		3,090.40
Vehicle repairs and fuel	747.63		747.63
County Health Department	147.72		147.72
Insurance	1,872.00		1,872.00
State audit fees	3,026.07		3,026.07
Miscellaneous expense	488.53		488.53
Street repairs/maintenance		<u>13,233.53</u>	<u>13,233.53</u>
Total cash disbursements	<u>16,186.23</u>	<u>13,233.53</u>	<u>29,419.76</u>
Total receipts over/(under) disbursements	<u>11,339.42</u>	<u>(7,610.19)</u>	<u>3,729.23</u>
Fund cash balances – January 1, 2001	<u>27,296.64</u>	<u>9,132.20</u>	<u>36,428.84</u>
Fund cash balances – December 31, 2001	<u>\$ 38,636.06</u>	<u>\$ 1,522.01</u>	<u>\$ 40,158.07</u>

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

**VILLAGE OF GRATIOT
LICKING 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 Gratiot, Licking County, Ohio is a body corporate and politic entitled 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, six – member council, and clerk – treasurer. The Village also has an appointed street commission and building commission. The major governmental services provided by the village are as follows:

- Street lighting
- Street repairs and paving
- They contract with the national trail volunteer fire department to provide fire and emergency services
- They contract with cable television companies for residents

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.

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

C. Cash and Investments

The Village holds no investments.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or capital projects) that are restricted to expenditures for specific purposes. The Village has one Special Revenue Fund, the 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 GRATIOT
LICKING 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. Appropriations lapse at year – end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

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

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

	<u>2002</u>	<u>2001</u>
Regular Checking	\$ 21,094.00	\$ 18,968.30
FII Checking	24,311.32	21,189.77
Total	<u>\$ 45,405.32</u>	<u>\$ 40,158.07</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF GRATIOT
LICKING 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 2001 follows:

<u>2002 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 26,910.00	\$ 26,268.97	\$ (641.03)
Special Revenue	<u>4,570.00</u>	<u>5,009.73</u>	<u>439.73</u>
Total	<u>\$ 31,480.00</u>	<u>\$ 31,278.70</u>	<u>\$ (201.30)</u>

<u>2002 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 15,642.00	\$ 20,915.10	\$ (5,273.10)
Special Revenue	<u>8,100.00</u>	<u>5,116.35</u>	<u>2,983.65</u>
Total	<u>\$ 23,742.00</u>	<u>\$ 26,031.45</u>	<u>\$ (2,289.45)</u>

<u>2001 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 25,600.00	\$ 27,525.65	\$ 1,925.65
Special Revenue	<u>5,000.00</u>	<u>5,623.34</u>	<u>623.34</u>
Total	<u>\$ 30,600.00</u>	<u>\$ 33,148.99</u>	<u>\$ 2,548.99</u>

<u>2001 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 24,048.00	\$ 16,186.23	\$ 7,861.77
Special Revenue	<u>4,500.00</u>	<u>13,233.53</u>	<u>(8,733.53)</u>
Total	<u>\$ 28,548.00</u>	<u>\$ 29,419.76</u>	<u>\$ (871.76)</u>

**VILLAGE OF GRATIOT
LICKING COUNTY**

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

4. RETIREMENT SYSTEMS

All employees of the village are covered by the Federal Social Security program rather than by the State P.E.R.S. plan.

5. 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 such. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners. The property owners 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.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Property and general liability
- Public official's liability

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

Village of Gratiot
Licking County
576 Main Street
Gratiot, Ohio 43740

To the Village Council:

We have audited the accompanying financial statements of the Village of Gratiot, Licking County, Ohio (village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 2, 2003. 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 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 noted one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item one. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 2, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 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 May 2, 2003.

This report is intended for the information and use of management, the Village council and the State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Zanesville, Ohio
May 2, 2003

Lynch & Lynch CPA's Inc.

**VILLAGE OF GRATIOT
LICKING COUNTY**

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

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

Finding Number One:

Ohio Rev. 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 or 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.

The Village's fiscal officer did not certify availability of funds during the audit period.

We recommend the Village officials implement procedures to gain fiscal control over expenditures. During the 2001-2002 audit period purchase orders were only used in a few instances and then only when requested by suppliers. Purchase orders should be utilized to certify availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

**VILLAGE OF GRATIOT
LICKING COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2002 AND 2001**

Finding Number One – Planned Corrective Action

Clerk/Treasurer will attach a certificate to any contract or order for expenditure of money indicating if the amount required to meet the same has been lawfully appropriated for such purpose and is available and free from any previous encumbrances.

Auditor has attached a sample wording for such a certificate to the management letter prepared for the 2001-2002 audit.

The Village will begin using prenumbered purchase orders to certify availability of funds prior to commitments being incurred. Appropriations will then be encumbered and balances maintained of unencumbered appropriations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF GRATIOT

LICKING 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 27, 2003**