



**Auditor of State  
Betty Montgomery**



VILLAGE OF GRATIS  
PREBLE COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Gratis  
Preble County  
404 Harrison Street  
P.O. Box 574  
Gratis, Ohio 45330

To the Village Council:

We have audited the accompanying financial statements of the Village of Gratis, Preble 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 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

The special revenue funds exclude cash receipts, disbursements and cash balances related to an account used for Fire Department donations and fund raisers during 2002. We believe this account should be included in this presentation. We were unable to determine the amounts of the omitted account.

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 generally accepted accounting principles.

In our opinion, except for the omission of the 2002 cash activity described in the fifth paragraph, 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, 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 our report dated September 27, 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 the audit committee, management, 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

September 27, 2004

**VILLAGE OF GRATIS  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$20,281	\$31,450		\$51,731
Intergovernmental Receipts	42,035	94,181		136,216
Charges for Services		92,195		92,195
Fines, Licenses, and Permits	1,481			1,481
Earnings on Investments	2,301	98		2,399
Miscellaneous	10,651	15,656		26,307
	<u>76,749</u>	<u>233,580</u>		<u>310,329</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	14,474	30,738		45,212
Public Health Services		97,511		97,511
Leisure Time Activities	388	1,805		2,193
Transportation		39,767		39,767
General Government	56,892	6,878		63,770
Debt Service:				
Principal Payments		29,039		29,039
Interest Payments		2,589		2,589
Capital Outlay	7,330	132,624		139,954
	<u>79,084</u>	<u>340,951</u>		<u>420,035</u>
Total Receipts (Under) Disbursements	<u>(2,335)</u>	<u>(107,371)</u>		<u>(109,706)</u>
<b>Other Financing Receipts:</b>				
Sale of Vehicle Bonds		93,911		93,911
Other Financing Sources	868			868
	<u>868</u>	<u>93,911</u>		<u>94,779</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(1,467)	(13,460)		(14,927)
Fund Cash Balances, January 1	<u>6,723</u>	<u>59,712</u>	<u>58</u>	<u>66,493</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$5,256</u></b>	<b><u>\$46,252</u></b>	<b><u>\$58</u></b>	<b><u>\$51,566</u></b>

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$217,573
Total Operating Cash Receipts	217,573
<b>Operating Cash Disbursements:</b>	
Personal Services	50,377
Fringe Benefits	15,132
Contractual Services	43,436
Supplies and Materials	36,567
Capital Outlay	82,083
Other	338
Total Operating Cash Disbursements	227,933
Operating (Loss)	(10,360)
<b>Non-Operating Cash Receipts:</b>	
Vehicle Bond Proceeds	18,089
Water Tower Loan Proceeds	25,000
OWDA Loan Proceeds	12,807
Other Non-Operating Receipts	10,976
Total Non-Operating Cash Receipts	66,872
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	44,640
Total Non-Operating Cash Disbursements	44,640
Net Receipts Over Disbursements	11,872
Fund Cash Balances, January 1	171,024
<b>Fund Cash Balances, December 31</b>	<b>\$182,896</b>

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$18,123	\$29,970		\$48,093
Intergovernmental Receipts	42,523	55,176		97,699
Charges for Services		107,265		107,265
Fines, Licenses, and Permits	186			186
Earnings on Investments	3,374	358		3,732
Miscellaneous	3,841	18,813		22,654
	<u>68,047</u>	<u>211,582</u>		<u>279,629</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	31,282	25,317		56,599
Public Health Services		89,494		89,494
Leisure Time Activities	542	5,086		5,628
Transportation		40,169		40,169
General Government	47,567	702		48,269
Debt Service:				
Principal Payments		23,168		23,168
Interest Payments		2,301		2,301
Capital Outlay		18,251		18,251
	<u>79,391</u>	<u>204,488</u>		<u>283,879</u>
Total Receipts Over/(Under) Disbursements	<u>(11,344)</u>	<u>7,094</u>		<u>(4,250)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Financing Sources/(Uses)	<u>673</u>	<u>(4,898)</u>		<u>(4,225)</u>
Total Other Financing Receipts/(Disbursements)	<u>673</u>	<u>(4,898)</u>		<u>(4,225)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,671)	2,196		(8,475)
Fund Cash Balances, January 1	<u>17,394</u>	<u>57,516</u>	<u>58</u>	<u>74,968</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$6,723</u></b>	<b><u>\$59,712</u></b>	<b><u>\$58</u></b>	<b><u>\$66,493</u></b>
Reserves for Encumbrances, December 31	<u>\$86</u>	<u>\$6,673</u>		<u>\$6,759</u>

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$215,728
Total Operating Cash Receipts	215,728
<b>Operating Cash Disbursements:</b>	
Personal Services	48,585
Fringe Benefits	11,613
Contractual Services	55,993
Supplies and Materials	32,856
Capital Outlay	5,293
Other	745
Total Operating Cash Disbursements	155,085
Operating Income	60,643
<b>Non-Operating Cash Receipts:</b>	
OWDA Loan Proceeds	422
Total Non-Operating Cash Receipts	422
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	42,674
Total Non-Operating Cash Disbursements	42,674
Net Receipts Over Disbursements	18,391
Fund Cash Balances, January 1	152,633
<b>Fund Cash Balances, December 31</b>	<b>\$171,024</b>
Reserve for Encumbrances, December 31	\$2,552

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

**VILLAGE OF GRATIS  
PREBLE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Gratis, Preble 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. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 8 to the financial statements.

**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 with a local commercial bank.

**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**

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 real estate and personal property taxes and contracts with Gratis Township to provide for the protection of area citizens.

*EMS Fund* – This fund receives real estate and personal property taxes and contracts with Gratis Township and the Village of West Elkton to provide for the protection of area citizens.

VILLAGE OF GRATIS  
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

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.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF GRATIS  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND DEPOSITS**

The Village maintains a cash and deposits 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:

	2003	2002
Demand deposits	\$234,462	\$237,517

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003, and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,722	\$77,617	\$8,895
Special Revenue	331,836	327,491	(4,345)
Enterprise	246,411	284,445	38,034
Total	\$646,969	\$689,553	\$42,584

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,445	\$79,084	(\$3,639)
Special Revenue	391,549	340,951	50,598
Enterprise	366,115	272,573	93,542
Total	\$833,109	\$692,608	\$140,501

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,000	\$68,720	(\$3,280)
Special Revenue	209,000	211,582	2,582
Enterprise	216,500	216,150	(350)
Total	\$497,500	\$496,452	(\$1,048)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,977	\$79,477	\$13,500
Special Revenue	252,985	216,059	36,926
Enterprise	338,263	200,311	137,952
Total	\$684,225	\$495,847	\$188,378

**VILLAGE OF GRATIS  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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 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, 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. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Revenue Bonds	\$368,000	5.00%
Water Revenue Bonds	90,000	4.25% - 5.625%
Vehicle Acquisition and Renovation Bonds	103,610	3.75%
Water Tower Land Loan	25,000	4.53%
Ohio Water Development Authority Loan	13,229	5.65%
Total	<u>\$599,839</u>	

The Sewer Revenue Bonds relate to mortgage revenue bonds issued in 1980. The bonds will be repaid in annual installments over 40 years. The bonds are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Water Revenue Bonds relate to mortgage revenue bonds issued in 1998 to fund improvements to the Village's water system. The bonds will be repaid in semi-annual installments over 15 years. The bonds are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Vehicle Acquisition and Renovation Bonds relate to bonds issued in 2003 for the purpose of acquiring a new truck and related equipment, acquiring an ambulance and renovating an existing ambulance. The bonds will be repaid in semi-annual installments over 7 years. The bonds are collateralized solely by the Village's taxing authority.

The Water Tower Land Loan was obtained in 2003 to purchase land for the water tower. The loan is to be repaid in ten semi-annual installments of \$2,500, excluding interest. The loan is collateralized by a mortgage on the water tower land.

**VILLAGE OF GRATIS  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan relates to the Village's water system improvements planned in the water system. The OWDA has approved up to \$105,110 in loans to the Village for this project. The one lump sum loan payoff is due in July 2007. The scheduled payment amount below assumes that \$105,110 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>Sewer Revenue Bonds</u>	<u>Water Revenue Bonds</u>	<u>Vehicle Acquisition Bonds</u>	<u>Water Tower Land Loan</u>
Year ending December 31:				
2004	\$32,400	\$9,863	\$21,046	\$6,072
2005	32,700	9,608	21,053	5,844
2006	32,950	14,350	21,053	5,619
2007	32,150	13,830	21,053	5,394
2008	32,350	13,305	21,060	5,169
2009 - 2013	163,000	58,383	10,520	
2014 - 2018	164,200			
2019 - 2020	65,600			
Total	<u>\$555,350</u>	<u>\$119,339</u>	<u>\$115,785</u>	<u>\$28,098</u>

	<u>OWDA Loan</u>
Year ending December 31:	
2004	
2005	
2006	
2007	105,110
Total	<u>\$105,110</u>

**6. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a 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 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF GRATIS  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. DEBT SERVICE TRUSTEED FUNDS**

The 1998 Water Revenue bond agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2003, the custodian held \$11,516 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

**9. SUBSEQUENT EVENTS**

In 2004, the Village obtained a \$10,000 loan from Twin Valley Bank to cover EMS payroll. Also, the Village obtained a loan up to \$60,000 for the purchase of new touch read water and sewer meters.



## Auditor of State Betty Montgomery

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

Village of Gratis  
Preble County  
404 Harrison Street  
P.O. Box 574  
Gratis, Ohio 45330

To the Village Council:

We have audited the accompanying financial statements of the Village of Gratis, Preble County, Ohio (the Village), as of and for the years ended December 31, 2003, and 2002, and have issued our report thereon dated September 27, 2004, which was qualified due to the omission of the activity from the Fire Department account and wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. Except for this matter, 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 noncompliance that we have reported to management of the Village in a separate letter dated September 27, 2004.

#### 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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

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. 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. We consider item 2003-001 to be a material weakness.

We also 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 September 27, 2004.

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

September 27, 2004

VILLAGE OF GRATIS  
PREBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Material Weakness**

The Village Fire Department had a separate bank account, in which the activity was not reflected in the Village's financial records or statements. Such activity should have been included within the Fire Fund in order to conform with the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting.

Without the knowledge of Village officials, the Fire Department collected donations and other monies and deposited these funds into the bank account noted above. They also expended funds utilizing the above account without the use of purchase orders or approvals.

We recommend all Fire Department receipts and expenditures be accounted for on the Village's financial records. All accounting entries should be posted in chronological order and reflect year-to-date totals. The Fire Department records should be reconciled with the bank activity on a monthly basis. Failure to record all financial activity for the above mentioned fund could result in misappropriation of funds and inaccurate reporting of village activity.

The Fire Department's account was closed in August 2002. The remaining bank account balance was reflected as a receipt on the Village's books.

All financial activity of the Village should be accurately presented in the Village's financial statements and reviewed by Council for reasonableness. The Village has requested the above mentioned information from the Fire Department, but the Fire Department has not responded to the request.

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**VILLAGE OF GRATIS  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-30368-001	ORC 5705.41(D), failure to properly certify funds	No	Partially corrected – reissued as a management letter comment.
2001-30368-002	Inadequate supporting documentation for EMS payroll	No	Partially corrected – reissued as a management letter comment.
2001-30368-003	Activity from separate Fire Department bank accounts not recorded on Village’s books	No	Not corrected – reissued as Finding 2003-001.





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF GRATIS**

**PREBLE 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  
OCTOBER 14, 2004**