

Village of Gordon
Darke County
Regular Audit
For the Years Ended December 31, 2007 and 2006
Fiscal Years Audited Under GAGAS: 2007 and 2006

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Mary Taylor, CPA

Auditor of State

Village Council
Village of Gordon
300 Center Street
Gordon, Ohio 45304

We have reviewed the *Independent Auditor's Report* of the Village of Gordon, Darke County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 19, 2008

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Village of Gordon
Darke County
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Gordon
Darke County
300 Center Street
Gordon, Ohio 45304

We have audited the accompanying financial statements of the Village of Gordon, Darke County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 more fully in Note 2, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

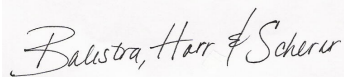
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to present the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, 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, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 2.

The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

June 27, 2008

**Village of Gordon
Darke County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2007*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 9,529	\$ 972	\$ 10,501
Intergovernmental	34,496	10,450	44,946
Charges for Services	92	-	92
Earnings on Investments	475	188	663
	44,592	11,610	56,202
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	11,979	-	11,979
Public Health Service	699	-	699
Leisure Time Activities	2,908	-	2,908
Basic Utility Services	12,062	-	12,062
Transportation	-	5,770	5,770
General Government	23,722	-	23,722
	51,370	5,770	57,140
Total Cash Disbursements			
	(6,778)	5,840	(938)
Total Cash Receipts Over Cash Disbursements			
Fund Cash Balances, January 1	93,699	56,255	149,954
Fund Cash Balances, December 31	\$ 86,921	\$ 62,095	\$ 149,016

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 Funds
For the Year Ended December 31, 2006*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	9,492	\$ 857	\$ 10,349
Intergovernmental	33,428	11,292	44,720
Charges for Services	569	-	569
Earnings on Investments	532	207	739
	44,021	12,356	56,377
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	9,225	-	9,225
Public Health Service	35	-	35
Leisure Time Activities	5,104	-	5,104
Basic Utility Services	11,077	-	11,077
Transportation	-	4,311	4,311
General Government	15,554	-	15,554
	40,995	4,311	45,306
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	3,026	8,045	11,071
Fund Cash Balances, January 1	90,673	48,210	138,883
Fund Cash Balances, December 31	\$ 93,699	\$ 56,255	\$ 149,954

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

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Gordon (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 the following services; general government services, street maintenance and fire protection services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Village had the following significant special revenue funds:

Street Construction, Maintenance and Repair and Permissive Sales Tax Fund: This fund receives gasoline tax and motor vehicle tax monies 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.

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 the State.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projective receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations.

The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Village had no outstanding encumbrances at December 31, 2007 or December 31, 2006. A summary of 2007 and 2006 budgetary activity appears in Note 5.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. CASH AND INVESTMENTS

The Village maintains an interest bearing checking account. Interest income earned and received by the Village totaled \$663 and \$739 for the years ended December 31, 2007 and 2006, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as disbursements in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village’s cash basis method of accounting.

G. TOTAL COLUMNS OF FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand Deposits	\$ 149,016	\$ 149,954
Total Deposits	\$ 149,016	\$ 149,954

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

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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 by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Village of Gordon
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 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 taxes, billing, collecting, and distributing all property taxes on behalf of the Village.

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 were as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 150,034	\$ 44,592	\$ (105,442)
Special Revenue	63,754	11,610	(52,144)
Total	\$ 213,788	\$ 56,202	\$ (157,586)

2007 Budgeted vs. Budget Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 92,075	\$ 51,370	\$ 40,705
Special Revenue	54,579	5,770	48,809
Total	\$ 146,654	\$ 57,140	\$ 89,514

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,991	\$ 44,021	\$ (87,970)
Special Revenue	55,712	12,356	(43,356)
Total	\$ 187,703	\$ 56,377	\$ (131,326)

2006 Budgeted vs. Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 131,990	\$ 40,995	\$ 90,995
Special Revenue	55,712	4,311	51,401
Total	\$ 187,702	\$ 45,306	\$ 142,396

NOTE 6 – RETIREMENT SYSTEM

The Village's elected officials belong to the Social Security System. This plan provides retirement benefits including post retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Members of the Social Security System contributed 6.2% of their wages to Social Security. The Village has paid all contributions required through December 31, 2007.

NOTE 7 – RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Coverage has not significantly changed since 2005. Settled claims have not exceeded insurance coverage in any of the past three years.

NOTE 8- CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation.

NOTE 9- COMPLIANCE

Contrary to Ohio law, the Village did not timely deposit funds.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *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, 2007 and 2006, and have issued our report thereon dated June 27, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that entity's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. These items have been identified in the accompanying schedule of findings as items 2007-001 through 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Internal Control over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we consider items 2007-001 through 2007-004 to be material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated June 27, 2008.

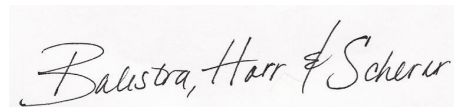
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the management of the Village in a separate letter dated June 27, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 27, 2008

Village of Gordon
Darke County

Schedule of Findings and Responses
For the Years Ended December 31, 2007 and 2006

Finding 2007-001

Material Weakness

The Village did not perform bank reconciliations timely throughout the two year audit period. This resulted in several posting errors and omissions in the accounting system going undetected for a period of time. Lack of timely reconciliations also does not allow the Village to accurately be able to assess the Village's financial situation for informed decision-making. The Village Clerk should perform bank reconciliations on a monthly basis and investigate and timely resolve any unreconciled differences.

Client Response: Has been corrected.

Finding 2007-002

Material Weakness

The Village Clerk is issued many hand-written checks during the audit period. The handwritten check dates, numbers and payees were not always accurately posted to the accounting system. This resulted in cumbersome bank reconciliations and led to errors and going undetected for a significant period of time. The Village should establish monitoring controls over the disbursement process such as review and approval of bank reconciliations. Furthermore, hand-written checks should be eliminated or only processed in emergency situations.

Client Response: Has been corrected, hand written checks are no longer allowed.

Finding 2007-003

Material Weakness

Form W-3 for the 2006 year did not match total quarterly filings of form 941. This could result in inaccurate tax filings and/or incorrect W-2 amounts issued. The W-2s and quarterly filings of form 941 should be reviewed and amended as determined necessary.

Client Response: The years 2006 and 2007 have been corrected up to date.

Finding 2007-004

Material Weakness

We identified reclassifications and adjustments during the course of the audit which should have been prevented or detected by the Village's internal controls over financial reporting. We also noted mathematical errors in the Village's financial statements. These errors and omissions were not prevented or detected by the Village's internal controls over financial reporting.

The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported in accordance with the accounting basis required for the Village to follow.

Client Response: The Village is aware of the issues and has taken steps toward fixing the problems.

Village of Gordon
Darke County

Schedule of Findings and Responses
For the Years Ended December 31, 2007 and 2006

Finding 2007-005

Material Noncompliance Citation

Ohio Revised Code Section 9.38 states that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. The Village deposited monies only once or twice per month depending on the amount of monies to be deposited which is not in accordance with the Ohio Revised Code. The Village's deposit procedures should assure that receipts are deposited on a timely basis.

Client Response: Monies are deposited as accumulated due to limited personnel and deposit totals; however, no less than every two weeks.

**VILLAGE OF GORDON
PICKAWAY COUNTY
DECEMBER 31, 2007 AND 2006
SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	ORC 9.38-Timely Deposits	No	See current year finding 2007-005
2005-002	ORC 5705.38 -Passing Appropriations within time required. ORC 5705.41(B) -Expenditures exceeding Appropriations	No	See current year Management Letter comment
2005-003	ORC 5705.39-Appropriations exceeding Estimated Resources	Yes	
2005-004	ORC 5705.41(D)-Then and Now	No	See current year Management Letter comment
2005-005	ORC 5705.34-Authorizing necessary tax levies	Yes	
2005-006	ORC 117.38-Filing the Financial Report within time allowed	No	See current year Management Letter comment
2005-007	ORC 733.28 -Accurate Bookkeeping	Yes	
2005-008	Monthly Bank Reconciliations	No	See current year finding 2007-001
2005-009	Developing Monitoring Control System	Yes	
2005-010	Payroll Taxes and Filings	No	Partially corrected, see current year finding 2007-003



Mary Taylor, CPA
Auditor of State

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
OCTOBER 2, 2008**