



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

GIBSON TOWNSHIP
MERCER COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Gibson Township
Mercer County
PO Box 606
Ft Recovery, OH 45846

To the Board of Trustees:

We have audited the accompanying financial statements of Gibson Township (the Township), as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township'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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and December 31, 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 July 10, 2002 on our consideration of the Township'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 and the Board of Trustees 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 10, 2002

**GIBSON TOWNSHIP
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$13,652	\$28,116		\$41,768
Intergovernmental	46,096	73,137	8,802	128,035
Earnings on Investments	134	227		361
Other Revenue	1,460			1,460
Total Cash Receipts	<u>61,342</u>	<u>101,480</u>	<u>8,802</u>	<u>171,624</u>
Cash Disbursements:				
Current:				
General Government	56,401			56,401
Public Safety	2,028			2,028
Public Works	399	107,583		107,982
Health	4,560			4,560
Redemption of Principal	3,549			3,549
Interest and Fiscal Charges	789			789
Capital Outlay			8,802	8,802
Total Cash Disbursements	<u>67,726</u>	<u>107,583</u>	<u>8,802</u>	<u>184,111</u>
Total Receipts (Under) Disbursements	(6,384)	(6,103)		(12,487)
Fund Cash Balances, January 1	<u>9,205</u>	<u>17,145</u>		<u>26,350</u>
Fund Cash Balances, December 31	<u><u>\$2,821</u></u>	<u><u>\$11,042</u></u>	<u><u>\$0</u></u>	<u><u>\$13,863</u></u>

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

**GIBSON TOWNSHIP
MERCER 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**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$13,127	\$27,880	\$41,007
Intergovernmental	43,906	77,124	121,030
Earnings on Investments	414	239	653
Other Revenue	363		363
			<hr/>
Total Cash Receipts	57,810	105,243	163,053
			<hr/>
Cash Disbursements:			
Current:			
General Government	63,723		63,723
Public Safety	1,832		1,832
Public Works	343	114,338	114,681
Health	4,563		4,563
Debt Service:			
Redemption of Principal	7,411	16,161	23,572
Interest and Fiscal Charges	1,266	95	1,361
			<hr/>
Total Cash Disbursements	79,138	130,594	209,732
			<hr/>
Total Receipts (Under) Disbursements	(21,328)	(25,351)	(46,679)
			<hr/>
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Notes		31,172	31,172
			<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(21,328)	5,821	(15,507)
			<hr/>
Fund Cash Balances, January 1	30,533	11,324	41,857
			<hr/>
Fund Cash Balances, December 31	\$9,205	\$17,145	\$26,350
			<hr/> <hr/>

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

**GIBSON TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Gibson Township, Mercer County, (the Township), 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and emergency medical services. The Township contracts with the Mercer County Emergency Medical Services, Inc., to provide ambulance services.

The Township's management believes these financial statements present all activities for which the Township 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 Investments

The township has no interest in investments.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 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 Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**GIBSON TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 Board of Trustees 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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$13,863	\$26,350

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

**GIBSON TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,469	\$61,342	(\$9,127)
Special Revenue	117,448	101,480	(15,968)
Capital Projects	34,681	8,802	(25,879)
Total	\$222,598	\$171,624	(\$50,974)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Appropriations	Actual Distributions	Variance
General	\$79,674	\$67,726	\$11,948
Special Revenue	134,592	107,583	27,009
Capital Projects	34,681	8,802	25,879
Total	\$248,947	\$184,111	\$64,836

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,700	\$57,810	(\$7,890)
Special Revenue	121,175	136,415	15,240
Total	\$186,875	\$194,225	\$7,350

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Appropriations	Actual Disbursements	Variance
General	\$96,233	\$79,138	\$17,095
Special Revenue	132,500	130,594	1,906
Total	\$228,733	\$209,732	\$19,001

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 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 Township.

**GIBSON TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$20,212	4.90%

The general obligation note was issued to pay off note for purchase of a Boom Mower and the purchase of new truck equipment.

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

	General Obligation Notes
Year ending December 31:	
2002	8,677
2003	8,677
2004	4,338
Total	\$21,692

6. RETIREMENT SYSTEMS

The Township's elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

A. Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

B. Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

**GIBSON TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

B. Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

C. Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Gibson Township
Mercer County
PO Box 606
Ft Recovery, OH 45846

To the Board of Trustees:

We have audited the accompanying financial statements of Gibson Township (the Township), as of and for the years ended December 31, 2001 and December 31, 2000 and have issued our report thereon dated July 10, 2002. 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 Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40254-001 and 2001-40254-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township'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 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 Township in a separate letter dated July 10, 2002.

Gibson Township
Mercer County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

July 10, 2002

**GIBSON TOWNSHIP
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40254-001

FINDING FOR RECOVERY REPAID UNDER AUDIT

Ohio Rev. Code Section 505.60 states that townships are permitted to reimburse a township officer or employee for out-of-pocket premiums for insurance policies. The reimbursement is permitted for a township officer or employee who is denied coverage under a township health care plan established pursuant to Ohio Rev. Code Section 505.60, or who elects not to participate in the township's plan. The reimbursement cannot exceed an amount equal to the average premium paid by the township under the policies it procures.

The Township procures group insurance policies and paid an average group premium of \$593.79 during 2001. The clerk did not participate in the group policy and was reimbursed for insurance premiums. During July through September 2001, the clerk was reimbursed at a rate of \$723.70 per month, which exceeded the average premium of \$593.79. This error was identified by the clerk and repayment was made for the months of August and September 2001, however, the July overpayment was not corrected and the Clerk was over reimbursed for July 2001 insurance premium by \$129.91 (\$593.79 allowable vs \$723.70 actual reimbursement).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Robert Meiring, Clerk, and his bonding company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$129.91 in favor of the General Fund.

The Finding was repaid on July 23, 2002, receipt number 1764.

FINDING NUMBER 2001-40254-002

Noncompliance Citation

Ohio Rev. Code Section 505.262(A), notwithstanding division (D) of Section 505.37 of the Revised Code or any other statute of this state, states the board of township trustees of any township, by unanimous vote, may adopt a resolution allowing the township to contract for the purchase of equipment, buildings, and sites, or for the construction of buildings, for any lawful township purpose. The board may issue, by resolution adopted by unanimous vote, securities of the township to finance purchases and construction made pursuant to this division. The securities shall be signed by the board and attested by the signature of the township clerk, and the maximum maturity of those securities is subject to the limitations in Section 133.20 of the Revised Code. The securities shall bear interest not to exceed the rate determined as provided in Section 9.95 of the Revised Code and shall not be subject to Chapter 133 of the Revised Code. The resolution authorizing the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities. The securities may contain a clause permitting prepayment at the option of the board. Securities shall be offered for sale on the open market or given to the vendor or contractor if no sale is made. No purchase or construction pursuant to division (A) of this Section shall be undertaken unless the county auditor certifies that, if the purchase or construction is undertaken, the debt service charge for the purchase or construction in the first year, together with the debt service charge for that same year for any other purchase or construction already undertaken pursuant to division (A) of this Section, does not exceed one-tenth of the township's total revenue from all sources. If the county auditor so certifies, in every year of the debt after the first year, the county budget commission shall include a debt charge in the township's annual tax budget submitted pursuant to Sections 5705.01 to 5705.47 of the Revised Code sufficient to

FINDING NUMBER 2001-40254-002
(Continued)

meet the annual debt incurred pursuant to division (A) of this section, if such debt charge is omitted from the budget.

The Township obtained a commercial loan in the amount of \$31,172 from a local bank for equipment and to refinance a prior loan for equipment issued debt to purchase truck equipment and refinanced a prior loan that purchased equipment rather than issue securities as provided.

The Township should consult with their legal advisor and bond counsel prior to the issuance of any debt issue.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

GIBSON TOWNSHIP

MERCER 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
AUGUST 15, 2002**