



**Auditor of State
Betty Montgomery**

**GASPER TOWNSHIP
PREBLE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Gasper Township
Preble County
4212 Edison Road
Camden, Ohio 45311

To the Board of Trustees:

We have audited the accompanying financial statements of Gasper Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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 generally accepted accounting principles.

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, 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 22, 2004, 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, the Board 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 22, 2004

**GASPER TOWNSHIP
PREBLE COUNTY**

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

| | General | Special Revenue | Totals (Memorandum Only) |
|--|---------------------|----------------------------|---|
| Cash Receipts: | | | |
| Local Taxes | \$78,539 | \$157,711 | \$236,250 |
| Intergovernmental | 25,500 | 112,150 | 137,650 |
| Charges for Services | 225 | 1,400 | 1,625 |
| Earnings on Investments | 1,266 | 743 | 2,009 |
| Other Revenue | | 9,035 | 9,035 |
| Total Cash Receipts | 105,530 | 281,039 | 386,569 |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 61,393 | | 61,393 |
| Public Safety | | 447,957 | 447,957 |
| Public Works | | 48,768 | 48,768 |
| Health | 10,803 | | 10,803 |
| Miscellaneous | 442 | | 442 |
| Debt Service: | | | |
| Redemption of Principal | | 52,191 | 52,191 |
| Interest and Fiscal Charges | | 8,879 | 8,879 |
| Capital Outlay | 47,071 | 76,430 | 123,501 |
| Total Cash Disbursements | 119,709 | 634,225 | 753,934 |
| Total Receipts (Under) Disbursements | (14,179) | (353,186) | (367,365) |
| Other Financing Receipts: | | | |
| Proceeds from Sale of Public Debt: | | | |
| Proceeds of Loans | | 202,020 | 202,020 |
| Total Other Financing Receipts | 0 | 202,020 | 202,020 |
| Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements | (14,179) | (151,166) | (165,345) |
| Fund Cash Balances, January 1 | 48,984 | 213,711 | 262,695 |
| Fund Cash Balances, December 31 | \$34,805 | \$62,545 | \$97,350 |

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

**GASPER TOWNSHIP
PREBLE COUNTY**

**COMBINED 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 | Totals (Memorandum Only) |
|---|---------------------|----------------------------|---|
| Cash Receipts: | | | |
| Local Taxes | \$66,348 | \$147,306 | \$213,654 |
| Intergovernmental | 41,636 | 103,241 | 144,877 |
| Charges for Services | | 1,300 | 1,300 |
| Earnings on Investments | 1,417 | 608 | 2,025 |
| Other Revenue | 2,310 | 8,603 | 10,913 |
| Total Cash Receipts | 111,711 | 261,058 | 372,769 |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 59,914 | | 59,914 |
| Public Safety | 10,000 | 168,315 | 178,315 |
| Public Works | | 46,737 | 46,737 |
| Health | 11,047 | | 11,047 |
| Debt Service: | | | |
| Redemption of Principal | | 5,431 | 5,431 |
| Interest and Fiscal Charges | | 1,035 | 1,035 |
| Capital Outlay | 33,946 | 76,182 | 110,128 |
| Total Cash Disbursements | 114,907 | 297,700 | 412,607 |
| Total Receipts (Under) Disbursements | (3,196) | (36,642) | (39,838) |
| Other Financing Receipts: | | | |
| Proceeds from Sale of Public Debt: | | | |
| Proceeds of Loans | | 200,000 | 200,000 |
| Total Other Financing Receipts | 0 | 200,000 | 200,000 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements | (3,196) | 163,358 | 160,162 |
| Fund Cash Balances, January 1 | 51,572 | 50,961 | 102,533 |
| Fund Cash Balances, December 31 | \$48,376 | \$214,319 | \$262,695 |

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

**GASPER TOWNSHIP
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Gaspar Township, Preble County, Ohio (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 general governmental services, including road and bridge maintenance, fire protection and emergency medical services. The Township has contracted with the City of Eaton (January 1, 2002 – March 31, 2003) and Camden-Somers Fire District (April 1, 2003 – December 31, 2003) to provide fire and emergency medical 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 Deposits

Township funds are pooled in a checking account with a local commercial bank.

D. Fund Accounting

The Township uses fund accounting to segregate cash and deposits 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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for maintaining and repairing Township motor vehicles.

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

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

**GASPER TOWNSHIP
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire & EMS Fund - This fund receives levy money to provide fire and emergency medical services to the residents of the Township.

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, 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. The Township did not encumber all commitments required by Ohio law.

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.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Township 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:

| | | |
|-----------------|-----------------|------------------|
| | <u>2003</u> | <u>2002</u> |
| Demand deposits | <u>\$97,350</u> | <u>\$262,695</u> |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

**GASPER TOWNSHIP
PREBLE COUNTY**

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

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 | \$106,000 | \$105,530 | (\$470) |
| Special Revenue | 291,600 | 483,059 | 191,459 |
| Total | \$397,600 | \$588,589 | \$190,989 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$154,984 | \$119,709 | \$35,275 |
| Special Revenue | 505,311 | 634,225 | (128,914) |
| Total | \$660,295 | \$753,934 | (\$93,639) |

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$94,510 | \$111,711 | \$17,201 |
| Special Revenue | 456,200 | 461,058 | 4,858 |
| Total | \$550,710 | \$572,769 | \$22,059 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$146,563 | \$114,907 | \$31,656 |
| Special Revenue | 506,681 | 297,700 | 208,981 |
| Total | \$653,244 | \$412,607 | \$240,637 |

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.

**GASPER TOWNSHIP
PREBLE COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------------|------------------|----------------------|
| Pick-Up Truck Note | \$17,298 | 6% |
| Fire Station Note | 152,930 | 4% |
| Fire Truck Note | 177,020 | 4.5% |
| Fire Station Completion Note | 25,000 | 3% |
| Total | <u>\$372,248</u> | |

The Township borrowed \$27,850 on September 20, 2001, to purchase a new pick-up truck. The Township signed a promissory note to the bank for this loan. This promissory note required five annual payments of \$6,466 commencing May 1, 2002, to be paid out of the Special Levy- Fire & EMS Fund. Collateral pledged is the new pick-up truck.

The Township borrowed \$200,000 on December 27, 2002, to fund the construction of a new fire station building. The Township signed a promissory note to the bank for this loan. This promissory note required two semi-annual payments for four years of \$27,302 commencing June 27, 2003, to be paid out of the Special Levy- Fire & EMS Fund. Collateral pledged is the fire station.

The Township borrowed \$177,020 on September 18, 2003, to purchase a new fire truck. The Township signed a promissory note to the bank for this loan. This promissory note required seven annual payments of \$30,114 commencing September 18, 2004, to be paid out of the Special Levy- Fire & EMS Fund. Collateral pledged is the new fire truck.

The Township borrowed \$25,000 on September 17, 2003, to complete the construction of the fire station. The Township signed a promissory note to the bank for this loan. This promissory note required one annual payment of \$25,563 on June 17, 2004, to be paid out of the Special Levy- Fire & EMS Fund. Collateral pledged is the fire station.

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

| <u>Year ending December 31:</u> | <u>Pick-Up Truck</u> | <u>Fire Station</u> | <u>Fire Truck</u> | <u>Fire Station #2</u> |
|---------------------------------|----------------------|---------------------|-------------------|------------------------|
| 2004 | \$6,466 | \$54,604 | \$30,114 | \$25,563 |
| 2005 | 6,466 | 54,604 | 30,114 | |
| 2006 | 6,466 | 54,604 | 30,114 | |
| 2007 | | | 30,114 | |
| 2008 | | | 30,114 | |
| 2009 - 2013 | | | 60,228 | |
| Total | <u>\$19,398</u> | <u>\$163,812</u> | <u>\$210,798</u> | <u>\$25,563</u> |

**GASPER TOWNSHIP
PREBLE COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's 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 gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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 from the General Reinsurance Corporation.

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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

Financial Position

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

**GASPER TOWNSHIP
PREBLE COUNTY**

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

7. RISK MANAGEMENT (Continued)

| <u>Casualty Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$27,792,223 | \$23,757,036 |
| Liabilities | <u>(11,791,300)</u> | <u>(9,197,512)</u> |
| Retained earnings | <u>\$16,000,923</u> | <u>\$14,559,524</u> |

| <u>Property Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$6,791,060 | \$6,596,996 |
| Liabilities | <u>(750,956)</u> | <u>(1,204,326)</u> |
| Retained earnings | <u>\$6,040,104</u> | <u>\$5,392,670</u> |

8. RELATED PARTY TRANSACTIONS

The Township Clerk and a Township Trustee own the Armstrong-Mantle company, which sells safety products for winter and welding. The Township paid \$446 to Armstrong-Mantle during 2003 and \$8 during 2002.



Auditor of State Betty Montgomery

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

Gaspar Township
Preble County
4212 Edison Road
Camden, Ohio 45311

To the Board of Trustees:

We have audited the accompanying financial statements of Gaspar Township, Preble County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 22, 2004. 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 is described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated September 22, 2004.

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. However, we noted a 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 Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

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 Township in a separate letter dated September 22, 2004.

This report is intended solely 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.



Betty Montgomery
Auditor of State

September 22, 2004

**GASPER TOWNSHIP
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

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$1,000 (\$3,000 effective 4/7/03), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Twenty-two percent of expenditures tested for the audit period were not properly certified. The Township did utilize Then and Now Certificates. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Township properly utilize the encumbrance method of accounting by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. Then and Now Certificates which exceed \$1,000 should be approved by the Trustees.

Ohio Rev. Code, Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations during the audit period for the Fire & EMS Levy Fund by \$145,729 [Appropriations \$363,298, Disbursements \$509,027].

The Township did not record the loan from Eaton National Bank to purchase a fire truck, nor was the loan included in the appropriations by the Township for fiscal year 2003. The bank made the payment for the purchase of the fire truck directly to the vendor. As a result, actual disbursements exceeded appropriations for the Fire & EMS Levy Fund. The unrecorded loan totaled \$177,020. We recommend the Village appropriate for all expenditures and record all transactions of the Village on its books.

FINDING NUMBER 2003-002

Noncompliance/Reportable Condition

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per **Ohio Admin. Code, Section 117-2-02(C)**, accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code, Section 117-9-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Fire District with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township failed to correctly use the prescribed Township chart of accounts. The Township did not properly record revenues and expenditures. Numerous adjustments were needed to properly classify the monies received and expended. Failure to properly record revenues and expenditures can result in overspending funds and negative cash balances.

Receipts and expenditures posted to the annual financial report should be reviewed for accuracy. Comparisons between years may aid in the determination if a receipt or expenditure has been properly posted. Receipts and expenditures should be consistently posted to funds and line items.

Debt payments and proceeds of loans were not all recorded on the Township's financial records. What was recorded on the Township's financial records was posted to improper line items. Failure to properly post debt activity may result in misleading financial statements and incorrect fund balances.

All debt should be paid from the proper fund and through the debt service line item. Proceeds of debt should be recorded at the gross amount of the loan. We recommend that the Township properly post debt activity to the correct funds and line items.

**GASPER TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED 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; <i>Explain:</i> |
|----------------|--|------------------|--|
| 2001-40368-001 | Revised Code 5705.41(D), failure to properly certify funds | No | Partially corrected- reissued as Finding Number 2003-001 |



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

GASPER TOWNSHIP

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
NOVEMBER 4, 2004**