

428 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Avenue  
Vienna, WV 26105  
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104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569



Certified Public Accountants, A.C.

**GASPER TOWNSHIP  
PREBLE COUNTY  
Regular Audit**

**For the Years Ended December 31, 2015 and 2014**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Board of Trustees  
Gasper Township  
4195 Paint Creek Road  
Eaton, Ohio 45320

We have reviewed the *Independent Auditor's Report* of the Gasper Township, Preble County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gasper Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 13, 2016

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**GASPER TOWNSHIP  
PREBLE COUNTY**

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## Independent Auditor's Report

September 30, 2016

Gasper Township  
Preble County  
4195 Paint Creek Road  
Eaton, Ohio 45320

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Gasper Township**, Preble County, (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinions on this accounting basis are in the *Additional Opinion Qualification* and *Unmodified Opinion* paragraphs below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Basis for Additional Opinion Qualification***

The Special Revenue funds exclude cash receipts, disbursements and cash balances related to the Gasper Township Fire and Rescue Association account used for Fire Department donations and fund raisers during 2014 and 2015. We were unable to determine the amounts of the omitted account. We believe excluding this account is misleading since the Gasper Township Fire and Rescue Association provides financial resources exclusively to the Township, and therefore, the financial statements should include this activity.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Special Revenue fund type of Gasper Township, Preble County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General Fund of Gasper Township, Preble County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Emphasis of Matter Regarding Going Concern***

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 9 to the financial statements, the Township posted adjustments to their General Fund resulting in a negative fund balance of (\$45,622) as of December 31, 2015 and (\$39,861) as of December 31, 2014. A negative General Fund balance may raise substantial doubt about the Township's ability to continue as a going concern. Note 9 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**GASPER TOWNSHIP  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 109,205	\$ 301,714	\$ 410,919
Charges for Services	-	141,247	141,247
Licenses, Permits and Fees	-	338	338
Intergovernmental	24,995	172,862	197,857
Earnings on Investments	77	45	122
Miscellaneous	-	40	40
<i>Total Cash Receipts</i>	<u>134,277</u>	<u>616,246</u>	<u>750,523</u>
<b>Cash Disbursements</b>			
Current:			
General Government	115,671	34,687	150,358
Public Safety	-	406,900	406,900
Public Works	302	104,789	105,091
Capital Outlay	-	76,285	76,285
Debt Service:			
Principal Retirement	13,042	13,250	26,292
Interest and Fiscal Charges	384	194	578
<i>Total Cash Disbursements</i>	<u>129,399</u>	<u>636,105</u>	<u>765,504</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,878</u>	<u>(19,859)</u>	<u>(14,981)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	11,854	11,854
Transfers Out	(11,854)	-	(11,854)
Advances In	5,800	5,800	11,600
Advances Out	(5,800)	(5,800)	(11,600)
Total Other Financing Receipts (Disbursements)	<u>(11,854)</u>	<u>11,854</u>	<u>-</u>
Special Item	1,215	-	1,215
<i>Net Change in Fund Cash Balances</i>	(5,761)	(8,005)	(13,766)
<i>Fund Cash Balances, January 1</i>	<u>(39,861)</u>	<u>250,428</u>	<u>210,567</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	242,423	242,423
Unassigned/(Deficit)	(45,622)	-	(45,622)
<i>Fund Cash Balances, December 31</i>	<u>\$ (45,622)</u>	<u>\$ 242,423</u>	<u>\$ 196,801</u>

The accompanying notes are an integral part of the financial statements.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 102,746	\$ 292,198	\$ 394,944
Charges for Services	-	133,365	133,365
Intergovernmental	36,622	150,135	186,757
Earnings on Investments	80	40	120
Miscellaneous	-	5,000	5,000
<i>Total Cash Receipts</i>	<u>139,448</u>	<u>580,738</u>	<u>720,186</u>
<b>Cash Disbursements</b>			
Current:			
General Government	110,373	43,012	153,385
Public Safety	-	365,923	365,923
Public Works	26,294	141,459	167,753
Debt Service:			
Principal Retirement	-	38,542	38,542
Interest and Fiscal Charges	-	1,520	1,520
<i>Total Cash Disbursements</i>	<u>136,667</u>	<u>590,456</u>	<u>727,123</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,781</u>	<u>(9,718)</u>	<u>(6,937)</u>
Special Item	9,287	-	9,287
<i>Net Change in Fund Cash Balances</i>	12,068	(9,718)	2,350
<i>Fund Cash Balances, January 1</i>	<u>(51,929)</u>	<u>260,146</u>	<u>208,217</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	250,428	250,428
Unassigned/(Deficit)	<u>(39,861)</u>	<u>-</u>	<u>(39,861)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ (39,861)</u></u>	<u><u>\$ 250,428</u></u>	<u><u>\$ 210,567</u></u>

The accompanying notes are an integral part of the financial statements.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Gasper Township, Preble County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, police protection, fire protection and emergency medical services.

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The organization is a:

Public Entity Risk Pool:

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.

The Gasper Township Fire and Rescue Association is a blended component unit of Gasper Township. The Township's financial statements do not include the activity of the Association. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The 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 investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and recorded in another fund.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources (other than from private-purpose trusts or for capital projects) that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Police Levy Fund - This fund receives proceeds from the levy to provide police protection throughout the Township.

Ambulance and Emergency Medical Services Fund - This fund receives receipts from the billing of emergency runs.

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand Deposits	\$ 196,801	\$ 210,567
Total Deposits	\$ 196,801	\$ 210,567

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 342,955	\$ 135,492	\$ (207,463)
Special Revenue	653,520	628,110	(25,410)
Total	\$ 996,475	\$ 763,602	\$ (232,873)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 159,995	\$ 141,253	\$ (18,742)
Special Revenue	701,140	636,105	(65,035)
Total	\$ 861,135	\$ 777,358	\$ (83,777)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 187,379	\$ 148,735	\$ (38,644)
Special Revenue	655,000	580,738	(74,262)
Total	\$ 842,379	\$ 729,473	\$ (112,906)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 257,755	\$ 136,667	\$ 121,088
Special Revenue	709,802	590,456	119,346
Total	\$ 967,557	\$ 727,123	\$ 240,434

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund for the year ended December 31, 2014, and the Special Levy fund in 2015. Also contrary to Ohio law, at December 31, 2015 and 2014 the General Fund had a cash deficit balance.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.0% of their gross salaries, and the Township contributed an amount equaling 14.0% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**6. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$14,864	\$15,169

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



**GASPER TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. COMPONENT UNIT**

The Gasper Township Fire and Rescue Association is a component unit of Gasper Township. The Fire and Rescue Association is a legally separate entity. The purpose of the Association is to hold fundraisers and use the funds to primarily help with the expenses of general equipment, supplies, and uniforms for the members of the Gasper Township Fire Department. The Township's financial statements do not include the activity of the Association and we were unable to determine the amounts of the omitted account.

**8. TRANSFER AND ADVANCES**

During 2015, the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 11,854
Special Levy Fund	11,854	-
Total	<u>\$ 11,854</u>	<u>\$ 11,854</u>

During 2015, the Township transferred money from the General Fund to the Special Levy Fund for operating expenses.

During 2015, the following advances were made:

	<u>Advances In</u>	<u>Advances Out</u>
General	\$ 5,800	\$ 5,800
Special Levy	5,800	5,800
Total	<u>\$ 11,600</u>	<u>\$ 11,600</u>

During 2015, the Township approved advances from the General Fund to the Special Levy Fund for operating expenses. All advances were paid back during 2015 to the General Fund.

**9. GOING CONCERN**

As a result of adjustments being posted that are a direct result of receipts being improperly posted throughout 2015 and 2014, the General Fund had a negative balance of (\$45,622) as of December 31, 2015 and (\$39,861) as of December 31, 2014.

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists, and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code.

**Management's Plan Regarding Going Concern**

The Township Trustees expect that actual revenue during 2016 will be enough to cover the negative fund balance. The Fiscal Officer will also reallocate some expenditures from the General Fund to other allowable funds.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

September 30, 2016

Gasper Township  
Preble County  
4195 Paint Creek Road  
Eaton, Ohio 45320

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of **Gasper Township**, Preble County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 30, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the omission of cash receipts, disbursements and cash balances related to the Gasper Township Fire and Rescue Association account used for Fire Department donations and fundraisers. We also noted the Township has suffered recurring net losses and has a deficit in the General Fund causing a going concern.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001, 2015-004, and 2015-005 to be material weaknesses.

**...“bringing more to the table”**

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2015-001 through 2015-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 30, 2016.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**GASPER TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-001**

**Material Noncompliance/Material Weakness**

**Ohio Rev. Code Section 5705.09 (F)** provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose.

The Township posted Permissive Motor Vehicle License Fees to the Motor Vehicle License Fund instead of properly establishing a Permissive Motor Vehicle License Fund.

In addition, during 2014 and 2015, the following posting errors were noted:

- The Township posted the entire Homestead and Rollback revenue to the General Fund – Property and Other Local Taxes instead of allocating the revenue to the Intergovernmental section in the Road and Bridge Fund (2014 – \$3,637), Police District Fund (2014 – \$29,981), Special Levy Fund (2014 – \$12,013) and General Fund (2014 - \$16,972) for a total adjustment of \$62,603 in 2014.
- In the Motor Vehicle License Fund, the Township posted the Motor Vehicle License fees to the License, Permits and Fees line item instead of Intergovernmental line item in the amount of \$9,584 in 2014.
- During 2015, the Township posted Gas Tax Fees to the Road and Bridge Fund instead of the Gas Tax Fund in the amount of \$7,666.
- Principal and interest payments were posted to the Capital Outlay line item in the General Fund in the amount of \$13,426 in 2015.
- Principal and interest payments were posted to the Capital Outlay line item in the Gasoline Tax Fund in the amount of \$26,852 in 2014 and \$13,444 in 2015. They were also incorrectly posted to the Capital Outlay line in the Special Levy Fund in the amount of \$13,210 in 2014.
- Tax settlement receipts were posted at the net amount instead of recording the gross revenue and the corresponding fees in the following amounts: General (2014) – \$17,641; General (2015) – \$16,759; Road and Bridge (2014) - \$590; Road and Bridge (2015) – \$602; Police District (2014) – \$1,985; Police District (2015) – \$1,984; Special Levy (2014) – \$4,856; and Special Levy (2015) – \$4,796.
- The Township did not file required information with the Ohio Department of Taxation to receive property tax rollback receipts in 2015, therefore no rollback revenue was received.

The following table reflects the net effect of the reclassifications and adjustments to the financial statements. The Township made the adjustments to their financial records and accounting records to reflect receipts and expenditures in the proper funds.

<b>Fund</b>	<b>Net Effect of Adjustments on Fund Balance</b>	
	<b>Increase/(Decrease)</b>	
General Fund	\$	(45,631.00)
Gasoline Fund	\$	7,666.00
Road and Bridge Fund	\$	(4,029.00)
Police District Fund	\$	29,981.00
Special Levy Fund	\$	12,013.00

**GASPER TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-001 (Continued)**

**Material Noncompliance/Material Weakness (Continued)**

Prior to these adjustments, the records maintained by the Fiscal Officer were not an accurate reflection of all monies received and expended by the Township. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Township funds, 2) reduces the Township's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Township Fiscal Officer accurately maintain the accounting records in accordance with the uniform accounting system prescribed by the Auditor of State. The Board of Trustees should follow procedures to properly monitor the Board's financial activity.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2015-002**

**Material Noncompliance**

**Ohio Rev. Code §5705.10(H)** provides that money paid into a fund must be used only for purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative balance of (\$45,622) at December 31, 2015 [adjusted] and (\$39,861) at December 31, 2014 [adjusted].

We recommend the Township monitor fund balances and take corrective action and monitor financial activity of the Township.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2015-003**

**Material Noncompliance**

**Ohio Rev. Code §5705.39** states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

During 2014, the Township's appropriations for their General Fund exceeded the estimated resources. The Township did not amend appropriations as a result of this.

In 2015, the Township's appropriations exceed estimated resources in the Special Levy Fund. The Township did not amend appropriations as a result of this.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Township resources. We recommend that the Township monitor their budgetary activity on a monthly basis and make adjustments as required.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003 (Continued)**

**Material Noncompliance (Continued)**

The Board should regularly review and amend their appropriations based on updates to their estimated resources. Additionally, the Board should review the certification of the County Budget Commission to ensure that their total appropriations do not exceed estimated resources.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2015-004**

**Material Weakness/Noncompliance**

**Ohio Revised 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 a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-004 (Continued)**

**Material Weakness/Noncompliance (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for 83% of the expenditures tested for 2015 and for 50% of the expenditures tested for 2014.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2015-005**

**Material Weakness**

**Government Accounting Standards Board (GASB) Statement No. 14, paragraph 20** as amended by GASB 61, states, "Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting Township's financial statements to be misleading or incomplete."

The Fire and Rescue Association is a legally separate entity and the Township Board of Trustees cannot influence the Association's operations. The association provided services entirely to the Township for donations and fund raisers in 2015 and 2014 and excluding its activity would cause the Township's financial statements to be misleading. As such, the Gasper Township Fire and Rescue Association is a blended component unit of Gasper Township and its activity should be included in the Township's financial statements. However, the Township's financial statements do not include the activity of the Association and we were unable to determine the amounts of the omitted account which resulted in a qualified opinion.

Failure to record all financial activity for the above mentioned account could result in misappropriation of funds and inaccurate reporting of Township financial activity. We recommend all Gasper Township Fire and Rescue Association receipts and expenditures be accounted for on the Township's financial records. The Gasper Township Fire and Rescue Association records should be reconciled with the bank activity on a monthly basis.

**Management's Response** – We did not receive a response from officials to this finding.

**GASPER TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2013-001	ORC 5705.09(F) – Failure to establish Permissive Motor Vehicle License Fund.	No	Not corrected, reissued as finding 2015-001
2013-002	ORC 5705.10(H) – Not using monies only for the purposes for which such fund was established.	No	Not corrected, reissued as finding 2015-002
2013-003	ORC 5705.39 – Appropriations exceeded Estimated Resources.	No	Not corrected, reissued as finding 2015-003
2013-004	ORC 5705.41(B) – Expenditures exceeded appropriations.	Yes	Corrective action taken
2013-005	ORC 5705.41(D) – Not properly encumbering expenditures	No	Not corrected, reissued as finding 2015-004
2013-006	GASB 14 paragraph 20 - Not including Component units on financial statements	No	Not corrected, reissued as finding 2015-005





# Dave Yost • Auditor of State

**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  
DECEMBER 27, 2016**