



**GRATIS TOWNSHIP
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**GRATIS TOWNSHIP
PREBLE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Gratis Township
Preble County
5015 Camden-West Elkton Road
Somerville, Ohio 45064

To the Board of Trustees:

We have audited the accompanying financial statements of Gratis Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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 generally accepted auditing standards 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, 2000 and 1999, 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 June 12, 2001, 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.

Jim Petro
Auditor of State

June 12, 2001

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**GRATIS TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$20,726	\$179,132	\$0	\$0	\$199,858
Intergovernmental	54,125	97,199			151,324
Licenses, Permits, and Fees		13,216			13,216
Earnings on Investments	1,987	991		146	3,124
Other Revenue	9,097	4,562			13,659
Total Cash Receipts	<u>85,935</u>	<u>295,100</u>	<u>0</u>	<u>146</u>	<u>381,181</u>
Cash Disbursements:					
Current:					
General Government	53,544	111,451			164,995
Public Works		132,958			132,958
Health	11,376	42,633			54,009
Debt Service:					
Redemption of Principal			5,980		5,980
Interest and Fiscal Charges			295		295
Capital Outlay		3,460			3,460
Total Cash Disbursements	<u>64,920</u>	<u>290,502</u>	<u>6,275</u>	<u>0</u>	<u>361,697</u>
Total Receipts Over/(Under) Disbursements	<u>21,015</u>	<u>4,598</u>	<u>(6,275)</u>	<u>146</u>	<u>19,484</u>
Other Financing Receipts/(Disbursements):					
Transfers-In			6,275		6,275
Transfers-Out	(6,275)				(6,275)
Total Other Financing Receipts/(Disbursements)	<u>(6,275)</u>	<u>0</u>	<u>6,275</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>14,740</u>	<u>4,598</u>	<u>0</u>	<u>146</u>	<u>19,484</u>
Fund Cash Balances, January 1	<u>47,571</u>	<u>34,828</u>	<u>0</u>	<u>5,206</u>	<u>87,605</u>
Fund Cash Balances, December 31	<u>\$62,311</u>	<u>\$39,426</u>	<u>\$0</u>	<u>\$5,352</u>	<u>\$107,089</u>

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

**GRATIS TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$17,274	\$171,695	\$0	\$188,969
Intergovernmental	19,596	94,940		114,536
Licenses, Permits, and Fees		16,791		16,791
Earnings on Investments	2,377	1,413	210	4,000
Other Revenue	5,085	12,456		17,541
	<u>44,332</u>	<u>297,295</u>	<u>210</u>	<u>341,837</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	70,377	112,270		182,647
Public Works		153,211		153,211
Health	8,390	32,131		40,521
Debt Service:				
Redemption of Principal	5,980			5,980
Interest and Fiscal Charges	584			584
Capital Outlay	1,977	4,663		6,640
	<u>87,308</u>	<u>302,275</u>	<u>0</u>	<u>389,583</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(42,976)</u>	<u>(4,980)</u>	<u>210</u>	<u>(47,746)</u>
Fund Cash Balances, January 1, as restated	<u>90,547</u>	<u>39,808</u>	<u>4,996</u>	<u>135,351</u>
Fund Cash Balances, December 31	<u>\$47,571</u>	<u>\$34,828</u>	<u>\$5,206</u>	<u>\$87,605</u>

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

**GRATIS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Gratis 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, and cemetery maintenance. The Township contracts with the Village of Gratis and the West Elkton-Gratis Township Joint Fire Board 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

Certificates of deposit are valued at cost.

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.

**GRATIS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. Beginning in 2000, the Township used the Debt Service Fund to record the payment of the loan on a dump truck.

4. Fiduciary Fund (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. The Township has a Cemetery Bequest Nonexpendable Trust Fund.

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. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. During 2000 and 1999, the Township did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 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.

**GRATIS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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 deposits at December 31 was as follows:

	2000	1999
Demand deposits	\$102,689	\$83,205
Certificates of deposit	4,400	4,400
Total deposits	\$ 107,089	\$ 87,605

Deposits: Deposits are either 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 ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,764	\$85,935	\$30,171
Special Revenue	310,136	295,100	(15,036)
Debt Service	0	6,275	6,275
Fiduciary	0	146	146
Total	\$365,900	\$387,456	\$21,556

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,108	\$71,195	\$25,913
Special Revenue	343,456	290,543	52,913
Debt Service	6,273	6,275	(2)
Fiduciary	0	0	0
Total	\$446,837	\$368,013	\$78,824

**GRATIS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,338	\$44,332	(\$6,006)
Special Revenue	294,305	297,295	2,990
Fiduciary	0	210	210
Total	\$344,643	\$341,837	(\$2,806)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,733	\$87,308	\$47,425
Special Revenue	336,116	302,316	33,800
Fiduciary	6,566	0	6,566
Total	\$477,415	\$389,624	\$87,791

The Township did not certify the availability of funds for certain commitments as required by Ohio law.

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 payments, 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.

5. 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 post-retirement 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries in 1999 and 10.84% in 2000. The Township has paid all contributions required through December 31, 2000.

**GRATIS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Township also provides health insurance and life insurance coverage to full-time employees through a private carrier.

7. PRIOR PERIOD ADJUSTMENT

The January 1, 1999, fund balances were adjusted due to certain mathematical errors.

	<u>Special Revenue</u>	<u>Fiduciary Fund</u>
December 31, 1998	\$ 26,594	\$ 5,218
Adjustment	<u>13, 214</u>	<u>(222)</u>
Adjusted January 1, 1998	<u>\$ 39,808</u>	<u>\$ 4,996</u>

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

Gratis Township
Preble County
5015 Camden-West Elkton Road
Somerville, Ohio 45064

To the Board of Trustees:

We have audited the accompanying financial statements of Gratis Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 12, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2000-40368-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 12, 2001.

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 June 12, 2001.

Gratis Township
Preble County
Report 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.

Jim Petro
Auditor of State

June 12, 2001

**GRATIS TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40368-001

Properly Encumbering - Noncompliance

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:

1. 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 Trustees 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.
2. If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Trustees, if such expenditure is otherwise valid.

The Township did not properly certify the availability of funds for purchase commitments for 36.67% of expenditures tested and neither of the exceptions allowed were used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the Township obtain approved purchase orders, which contain the Clerk-Treasurer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.



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GRATIS 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
JULY 5, 2001**