



Mary Taylor, CPA
Auditor of State

**GASPER TOWNSHIP
PREBLE COUNTY**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

July 14, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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 2008 and 2009. 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 as a component unit.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, except for the omission from the special revenue funds of the 2008 and 2009 cash activity described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Gasper Township, Preble County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 14, 2010

**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, 2009**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$92,998	\$192,261	\$285,259
Charges for Services		65,215	65,215
Intergovernmental	117,040	165,179	282,219
Earnings on Investments	1,262	108	1,370
Miscellaneous	157	50	207
 Total Cash Receipts	 211,457	 422,813	 634,270
Cash Disbursements:			
Current:			
General Government	94,264		94,264
Public Safety		277,136	277,136
Public Works	2,834	158,041	160,875
 Total Cash Disbursements	 97,098	 435,177	 532,275
 Total Receipts Over/(Under) Disbursements	 114,359	 (12,364)	 101,995
Other Financing Receipts / (Disbursements):			
Transfers-In		43,000	43,000
Transfers-Out	(43,000)		(43,000)
Advances-In	10,000	25,872	35,872
Advances-Out	(25,872)	(10,000)	(35,872)
 Total Other Financing Receipts / (Disbursements)	 (58,872)	 58,872	 0
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	 55,487	 46,508	 101,995
 Fund Cash Balances, January 1	 142,706	 214,978	 357,684
 Fund Cash Balances, December 31	 \$198,193	 \$261,486	 \$459,679

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, 2008**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$90,702	\$191,342	\$282,044
Charges for Services		39,567	39,567
Intergovernmental	117,754	159,768	277,522
Earnings on Investments	2,237	267	2,504
Miscellaneous	371		371
 Total Cash Receipts	 211,064	 390,944	 602,008
Cash Disbursements:			
Current:			
General Government	107,373		107,373
Public Safety		134,879	134,879
Public Works	61,277	115,523	176,800
Health			0
Human Services			0
Conservation - Recreation			0
Other			0
Capital Outlay	22,000		22,000
Debt Service:			
Redemption of Principal		103,131	103,131
Interest and Other Fiscal Charges		5,069	5,069
 Total Cash Disbursements	 190,650	 358,602	 549,252
 Total Receipts Over Disbursements	 20,414	 32,342	 52,756
Other Financing Receipts / (Disbursements):			
Transfers-In		59,000	59,000
Transfers-Out	(59,000)		(59,000)
 Total Other Financing Receipts / (Disbursements)	 (59,000)	 59,000	 0
 Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	 (38,586)	 91,342	 52,756
 Fund Cash Balances, January 1	 181,292	 123,636	 304,928
 Fund Cash Balances, December 31	 \$142,706	 \$214,978	 \$357,684

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

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 the Gasper Township, Preble County, Ohio (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, fire protection and emergency medical services.

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

Public Entity Risk Pool:

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 provide 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

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 reports all financial resources except those required to be accounted for in another fund.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 gasoline tax money to pay for maintaining and repairing Township roads and motor vehicles.

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.

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 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 canceled \$556 in encumbrances at December 31, 2008, and \$8,232 in encumbrances at December 31, 2009, and re-encumbered these amounts in the subsequent years against current appropriations. The Township did not properly encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

2. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	\$459,679	\$357,684

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,919	\$221,457	\$100,538
Special Revenue	339,999	491,685	151,686
Total	\$460,918	\$713,142	\$252,224

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,760	\$165,970	(\$60,210)
Special Revenue	623,900	445,177	178,723
Total	\$729,660	\$611,147	\$118,513

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,000	\$211,064	\$105,064
Special Revenue	293,500	449,944	156,444
Total	\$399,500	\$661,008	\$261,508

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

Fund Type	Authority	Expenditures	Variance
General	\$160,184	\$249,650	(\$89,466)
Special Revenue	514,745	358,602	156,143
Total	<u>\$674,929</u>	<u>\$608,252</u>	<u>\$66,677</u>

Contrary to Ohio law, appropriations exceeded estimated resources in the following funds: Gasoline Tax Fund (2008) totaling \$56,680, Fire and EMS Fund (2008) totaling \$40,931, Road and Bridge Fund (2009) totaling \$72,580 and Fire and EMS Fund (2009) totaling \$160,606.

Contrary to Ohio law, appropriations exceed available resources in the following funds: Road and Bridge Fund (2008) totaling \$2,122, Road and Bridge Fund (2009) totaling \$78,882 and Fire and EMS Fund (2009) totaling \$45,336.

Contrary to Ohio law, expenditures exceeded appropriations in the following funds: General Fund (2008) totaling, \$89,466 General Fund (2009) totaling \$60,210, Police District Fund (2009) totaling \$15,872, and FEMA Fund (2009) totaling \$2,081.

Contrary to Ohio law, funds were illegally transferred from the General Fund to the Fire and EMS Fund in the amount of \$56,314.

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.

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 Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14 of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,047.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Risk Management (Continued)

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>	
2007	\$3,982
2008	\$8,194

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

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.



Mary Taylor, CPA

Auditor of State

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

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

To the Township Board of Trustees:

We have audited the financial statements of the Gasper Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 14, 2010, which was qualified due to the omission of the activity from the Fire Department account and wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-008 described in the accompanying schedule of findings to be material weaknesses.

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, providing an opinion 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 findings as items 2009-002 through 2009-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 14, 2010.

We intend this report solely for the information and use of the audit committee, management, Township Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 14, 2010

**GASPER TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the posting of financial activity. Significant posting errors were noted in the testing of tax revenues, intergovernmental revenues, debt activity and other expenditures. These errors resulted in the following adjustments to the Township's funds:

In 2008 General Fund Tax Revenue was decreased by \$32,951; Intergovernmental Revenue was increased by \$15,172; Miscellaneous Revenue was increased by \$371; General Government Expenditures increased by \$14,104 and Fund Balance was decreased by \$31,511.

In 2008 Motor Vehicle License Tax Revenue was decreased by \$24,217; Intergovernmental Revenue was increased by \$35,389; and Licenses, Permits and Fees was decreased by \$11,172.

In 2008 Gasoline Intergovernmental Revenue was increased by \$89,714 and Fund Balance was increased by \$89,714.

In 2008 Road and Bridge Fund Tax Revenue was increased by \$338; Intergovernmental Revenue was decreased by \$86,311; General Government Expenditures was increased by \$526; and Fund Balance was decreased by \$86,499.

In 2008 Fire and EMS Tax Revenue was increased by \$1,281; Intergovernmental Revenue was increased by \$30,241; General Government Expenditures increased by \$3,226; and Fund Balance increase by \$28,296.

In 2008 debt service payments were posted to Capital Outlay totaling \$108,200 instead of Debt Service - Principal totaling \$103,131 and Interest totaling \$5,069.

In 2008 General Fund General Government expenditures totaling \$4,996 were erroneously posted to the Health line item.

In 2008 Ohio Public Employees Retirement System expenditures totaling \$3,270 were erroneously posted to the Road and Bridge Fund, General Government instead of the General Fund, General Government. Also, Road and Bridge Fund Public Works expenditures totaling \$5,326 were erroneously posted to General Government.

In 2009 General Fund Tax Revenue was decreased by \$35,884; Intergovernmental Revenue was increased by \$17,088; Miscellaneous Revenue was increased by \$156; General Government Expenditures increased by \$13,246 and Fund Balance was decreased by \$31,886.

In 2009 Motor Vehicle License Tax Revenue was decreased by \$23,931; Intergovernmental Revenue was increased by \$34,594; and Licenses, Permits and Fees was decreased by \$10,664.

**FINDING NUMBER 2009-001
(Continued)**

In 2009 Gasoline Intergovernmental Revenue was increased by \$87,063 Fund Balance was increased by \$87,063.

In 2009 Road and Bridge Fund Tax Revenue was increased by \$187; Intergovernmental Revenue was decreased by \$83,405; General Government Expenditures was increased by \$517; and Fund Balance was decreased by \$83,736.

In 2009 an expenditures in the amount of \$3,000 to the Bureau of Workers' Compensation was erroneously posted to the Road and Bridge Fund, General Government instead of the General Fund, General Government. Also, Road and Bridge Fund Public Works expenditures totaling \$13,432 were erroneously posted to General Government.

In 2009 Fire and EMS Tax Revenue was increased by \$1,057; Intergovernmental Revenue was increased by \$31,974; General Government Expenditures increased by \$4,472; and Fund Balance increase by \$31,974.

In 2009 FEMA Fund Public Works was increased by \$2,081; Motor Vehicle License Tax Public Works decreased by \$500 and Road and Bridge Fund Public Works decreased by \$1,581 for FEMA funds received that should have been credited to the funds that covered the initial expenditures.

The Township posted adjustments to the financial statements and accounting records to correct the above classifications.

The lack of proper management oversight could result in material misstatement relating to financial data. To improve record keeping and accountability of receipts we recommend that all county, state and federal revenue receipts be posted properly. For guidance the Township should utilize the Ohio Township Handbook. Also, the Township should consult Audit Bulletin 98-013 for the accounting treatment for FEMA grants.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet 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.

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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the Gasper Township receipt of the "then and now" certificate to approve payment by ordinance or resolution.

FINDING NUMBER 2009-002
(Continued)

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 Township.

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 Township 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for purchase commitments for 67 percent in 2008 and 27 percent in 2009. There was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Also, the Township issued one Then & Now purchase order in 2008 and three purchase orders in 2009 that were greater than \$3,000 that were not approved by Resolution or Ordinance.

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 obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-003

Material Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Estimated receipts exceeded actual receipts in the funds noted below. Furthermore, the amount of the deficiency reduced available resources below the current level of appropriations.

Fund	Appropriations	Available Resources	Variance
Road & Bridge Fund (2008)	\$37,521	\$35,399	\$2,122
Road & Bridge Fund (2009)	120,000	41,118	78,882
Fire/EMS Fund (2009)	398,900	353,564	45,336

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. We recommend that the Township monitor estimated and actual receipts and obtain amendments when required.

FINDING NUMBER 2009-004

Material Noncompliance

Ohio Admin. Code, Section 117-2-02(C)(1), states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township lacks management oversight in the posting of estimated resources. The estimated resources posted to the Township's accounting system do not match the final certificate of estimated resources. The Township failed to properly post estimated resources to the accounting system as follows:

Fund	Estimated Resources per Amended Certificate of Estimate Resources	Estimated Resources posted to the Township's accounting system	Variance
General Fund (2008)	\$106,000	\$287,185	\$(181,185)
Motor Vehicle License Tax Fund (2008)	25,000	45,015	(20,015)
Gasoline Tax Fund (2008)	73,500	95,604	(22,104)
Road & Bridge Fund (2008)	25,000	37,521	(12,521)
Fire & EMS Fund (2008)	170,000	142,053	27,947

Failure to properly post budgetary amounts to the Township's accounting system could result in an ability to monitor activity. We recommend that the Township use correct amounts on the budgetary documents.

FINDING NUMBER 2009-005

Material Noncompliance

Ohio Rev. Code, Section 5705.39, states that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources in the following funds as follows:

Fund	Appropriations	Estimated Resources	Variance
Gasoline Tax (2008)	\$152,603	\$95,923	\$56,680
Fire and EMS Fund (2008)	279,608	238,677	40,931
Road and Bridge Fund (2009)	120,000	47,420	72,580
Fire and EMS Fund (2009)	398,900	238,294	160,606

Also, the Township did not obtain a county auditor certificate for the 2008 permanent appropriations. Total appropriations exceeding estimated resources could result in negative fund balances. We recommend that Township personnel and the Board review budgetary compliance on a monthly basis and make amendments as required. The Township should obtain county audit certificates stating total appropriations from each fund do not exceed the total official estimate or amended official estimate for their appropriation measures and any appropriation amendments.

FINDING NUMBER 2009-006

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), states no taxing authority shall make any expenditures of money unless it has been appropriated.

Total expenditures exceeded appropriations in the following funds as follows:

Fund	Appropriations	Disbursements	Variance
General Fund (2008)	\$160,184	\$249,650	(\$89,466)
General Fund (2009)	105,760	165,970	(60,210)
Police District Fund (2009)	0	15,872	(15,872)
FEMA (2009)	0	2,081	(2,081)

Expenditures exceeding appropriations could result in negative cash balances in individual funds and line items. We recommend that Township personnel and the Board review budgetary compliance on a monthly basis and make amendments as required.

Also, the Township posted an appropriation amendment to the system that was not approved by the Board. Posting appropriation amendments not approved by the Board could result in negative cash balances in individual funds and line items. We recommend the Board approve all appropriation amendments in the minutes.

FINDING NUMBER 2009-007

Material Noncompliance

Ohio Rev. Code, Section 5705.14(E), states money may be transferred from the general fund to any other fund of the subdivision. OAG Opinion 89-075 requires a governing board resolution passed by a simple majority of the board members to transfer funds. In 2008, the Fiscal Officer posted a transfer from the General Fund to the Fire and EMS Fund in the amount of \$56,314 that was not passed by resolution. The Township posted an adjustment to the accompanying financial statements and Township records for this unapproved transfer. Failure to approve transfers by resolution could result in negative cash balances in individual funds and line items. All transfers should be approved by the Board and passed by resolution.

FINDING NUMBER 2009-008

Material Weakness

Government Accounting Standards Board Statement No. 14, paragraph 20 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 entity'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 2008 and 2009 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.

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.

We did not receive a response from Officials to the findings noted above.

**GASPER TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC § 505,601, regarding health care reimbursements	Yes	
2007-002	ORC § 135.18, failure to adequately collateralize deposits	No	Partially Corrected – Re-Issued in Management Letter
2007-003	OAC § 117-2-02(A) and OAC § 117-2-02(D)(2), failure to maintain an accounting system and accounting records	Yes	
2007-004	ORC § 5705.41(D)(1), failure to properly certify Funds	No	Re-Issued as Finding 2009-002
2007-005	Failure to establish proper controls and procedures over recording financial activity	No	Re-Issued as Finding 2009-001
2007-006	Failure to include the activity of the Fire and Rescue Association in the Township's financial statements	No	Re-Issued as Finding 2009-008



Mary Taylor, CPA
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
AUGUST 31, 2010**