

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2011 and 2010

TOM LOCHTEFELD, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Gibson Township
1700 Industrial Drive
P. O. Box 606
Ft. Recovery, Ohio 45846

We have reviewed the *Independent Accountants' Report* of Gibson Township, Mercer County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Gibson Township is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

June 8, 2012

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**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Gibson Township
Mercer County
1700 Industrial Drive
P.O. Box 606
Ft. Recovery, Ohio 45846

To the Board of Trustees:

We have audited the accompanying financial statements of Gibson Township, Mercer County, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Gibson 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2.B., Gibson 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 Gibson Township's larger (i.e. major) funds separately. While Gibson Township does not follow GAAP, generally accepted auditing standards require 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 governments to reformat their statements. Gibson 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.

Gibson Township
Independent Accountants' Report
Page Two

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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Gibson Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances as of December 31, 2011 and 2010 of Gibson Township, Mercer County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

As described in Note 2.D., during 2011 Gibson Township adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of Gibson 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
April 30, 2012

GIBSON TOWNSHIP
MERCER COUNTY, OHIO

COMBINED STATEMENT OF FUND CASH BALANCES
ALL FUND TYPES
DECEMBER 31, 2011 AND 2010

<u>Cash and Cash Equivalents</u>	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 94,554	\$ 65,845
Total Cash and Cash Equivalents	<u>\$ 94,554</u>	<u>\$ 65,845</u>
 <u>Fund Cash Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 49,735	\$ 42,823
Special Revenue Fund	<u>44,819</u>	<u>23,022</u>
Total Governmental Funds	<u>94,554</u>	<u>65,845</u>
 Total Fund Cash Balances	 <u>\$ 94,554</u>	 <u>\$ 65,845</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local Taxes	\$ 18,518	\$ 48,526	\$ 67,044
Intergovernmental	63,605	100,412	164,017
Earnings on Investments	29	20	49
Miscellaneous	2,788	-	2,788
Total cash receipts	<u>84,940</u>	<u>148,958</u>	<u>233,898</u>
Cash disbursements:			
Current:			
Public Safety	2,904	-	2,904
Public Works	-	118,958	118,958
General Government	75,124	-	75,124
Debt service:			
Principal Retirement	-	7,344	7,344
Interest and Fiscal Charges	-	859	859
Total cash disbursements	<u>78,028</u>	<u>127,161</u>	<u>205,189</u>
Net change in fund cash balances	6,912	21,797	28,709
Fund cash balances, January 1, 2011	<u>42,823</u>	<u>23,022</u>	<u>65,845</u>
Fund cash balances:			
Restricted	-	44,819	44,819
Unassigned	49,735	-	49,735
Fund cash balances, December 31, 2011	<u>\$ 49,735</u>	<u>\$ 44,819</u>	<u>\$ 94,554</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local Taxes	\$ 17,759	\$ 46,501	\$ -	\$ 64,260
Intergovernmental	39,637	103,509	30,179	173,325
Earnings on Investments	34	34	-	68
Miscellaneous	2,280	-	-	2,280
Total cash receipts	<u>59,710</u>	<u>150,044</u>	<u>30,179</u>	<u>239,933</u>
Cash disbursements:				
Current:				
Public Safety	2,842	-	-	2,842
Health	450	-	-	450
Public Works	-	174,267	-	174,267
General Government	82,316	-	-	82,316
Capital outlay	-	-	30,179	30,179
Debt service:				
Principal Retirement	-	7,055	-	7,055
Interest and Fiscal Charges	-	1,148	-	1,148
Total cash disbursements	<u>85,608</u>	<u>182,470</u>	<u>30,179</u>	<u>298,257</u>
Net change in fund cash balances	(25,898)	(32,426)	-	(58,324)
Fund cash balances, January 1, 2010	<u>68,721</u>	<u>55,448</u>	<u>-</u>	<u>124,169</u>
Fund cash balances, December 31, 2010	<u>\$ 42,823</u>	<u>\$ 23,022</u>	<u>\$ -</u>	<u>\$ 65,845</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 - DESCRIPTION OF THE ENTITY

Gibson Township, Mercer County (the "Township"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected three-member Board of Trustees and a publicly elected Clerk direct the Township. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Mercer County Emergency Medical Services, Inc., to provide ambulance, and emergency medical services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Township's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township:

General Fund

The general fund is used to account for all activities of the Township not required to be included in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The Township had the following significant special revenue funds:

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

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

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following capital project fund:

OPWC Fund (2010) - This fund accounts for an OPWC grant received on behalf of the Township for road improvements.

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. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The Township had several amendments to the original estimated certificate during the years ended December 31, 2011 and 2010.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. There were no supplemental appropriations during 2011 or 2010.

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 re-appropriated in the subsequent year. The Township had no encumbrances outstanding at December 31, 2011 or 2010.

D. Fund Balance

For December 31, 2011, the Township implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which had no effect on fund balances. Under GASB No. 54, fund balances are 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:

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 of regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

The Board can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board 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 the Board 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 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.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. CASH AND CASH EQUIVALENTS

For reporting purposes, the Township considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Township totaled \$49 and \$68 for the years ended December 31, 2011 and 2010, respectively.

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Township’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township’s cash basis method of accounting.

H. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 60,496	\$ 84,940	\$ 24,444
Special Revenue	170,006	148,958	(21,048)
Total	<u>\$ 230,502</u>	<u>\$ 233,898</u>	<u>\$ 3,396</u>

2011 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 102,058	\$ 78,028	\$ 24,030
Special Revenue	191,156	127,161	63,995
Total	<u>\$ 293,214</u>	<u>\$ 205,189</u>	<u>\$ 88,025</u>

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 88,584	\$ 59,710	\$ (28,874)
Special Revenue	161,609	150,044	(11,565)
Capital Projects	30,179	30,179	-
Total	<u>\$ 280,372</u>	<u>\$ 239,933</u>	<u>\$ (40,439)</u>

2010 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 157,958	\$ 85,608	\$ 72,350
Special Revenue	216,303	182,470	33,833
Capital Projects	-	30,179	(30,179)
Total	<u>\$ 374,261</u>	<u>\$ 298,257</u>	<u>\$ 76,004</u>

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2011</u>	<u>2010</u>
Deposits: Demand deposits	\$ 94,554	\$ 65,845
Total Cash and Cash Equivalents	\$ 94,554	\$ 65,845

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board 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.

NOTE 6 - DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Park National Bank Truck Loan	\$ 15,601	4.00%

The Township entered into a loan on July 29, 2009 for the purchase of a truck. The payments are scheduled to be made semiannually, with the first payment being due in 2010. The loan is scheduled to be paid off on July 29, 2013. The loan is being paid out of the Gasoline Tax Fund (a special revenue fund).

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 - DEBT - (Continued)

Transactions for the years ended December 31, 2011 and December 31, 2010 are summarized as follows:

<u>2011</u>	Balance at			Balance at
	<u>12/31/2010</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>12/31/2011</u>
Truck Loan	<u>\$ 22,945</u>	<u>\$ -</u>	<u>\$ (7,344)</u>	<u>\$ 15,601</u>
<u>2010</u>	Balance at			Balance at
	<u>12/31/2009</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>12/31/2010</u>
Truck Loan	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ (7,055)</u>	<u>\$ 22,945</u>

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>
2012	\$ 7,643
2013	<u>7,958</u>
Total	<u>\$ 15,601</u>

NOTE 7 - RETIREMENT SYSTEM

The Township's salaried employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 the years ended December 31, 2011 and 2010, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2011 and 2010, respectively. At December 31, 2011, all amounts for the years ended 2011 and 2010 have been paid.

NOTE 8 - RISK MANAGEMENT

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 8 - RISK MANAGEMENT - (Continued)

- A. On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:
- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
 - Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and,
 - Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009, respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Township participated in this coverage for 2010 and through June 30, 2011.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 8 - RISK MANAGEMENT - (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org

- B. Effective July 1, 2011, the Township contracted with Medical Mutual for its medical insurance.

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Township is not currently involved in litigation.

NOTE 10 - COMPLIANCE

- A. The Township did not obtain a reduced amended certificate when the amount of the deficiency reduced available resources below the level of approved appropriations in certain funds in noncompliance with Ohio Revised Code Section 5705.36(A)(4) for the years ended December 31, 2011 and 2010.
- B. The Township had expenditures exceeding appropriations at December 31, 2010 in noncompliance with Ohio Revised Code Sections 5705.40 and 5705.41(B).



Julian & Grube, Inc.
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**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Gibson Township
Mercer County
1700 Industrial Drive
P.O. Box 606
Ft. Recovery, Ohio 45846

To the Board of Trustees:

We have audited the financial statements of Gibson Township, Mercer County, Ohio, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 30, 2012, wherein we noted Gibson 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. As described in Note 2.D., Gibson Township adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended December 31, 2011. 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 Gibson 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 Gibson Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of Gibson Township's internal control over financial reporting.

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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of Gibson Township's financial statements will not be prevented, or detected and timely corrected.

Board of Trustees
Gibson Township

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-GT-001 to be a significant deficiency. 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.

Compliance and Other Matters

As part of reasonably assuring whether Gibson 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 three instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2011-GT-002, 2011-GT-003 and 2011-GT-004.

Gibson Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Gibson Township's responses and, accordingly, we express no opinion on them.

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



Julian & Grube, Inc.
April 30, 2012

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-GT-001

Significant Deficiency - Financial Statement Presentation

A part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified certain misstatements in the financial statements for the years ended under audit that were not initially identified by the Township's internal controls.

The following adjustments were necessary to properly state the Township's financial statements for the years ended December 31, 2011:

General Fund:

- Decrease cash fund balance and intergovernmental receipts by \$2,478 to properly record homestead & rollback receipts.
- Increase intergovernmental receipts and decrease local tax receipts by \$1,327 to properly reflect tangible personal property tax reimbursements as intergovernmental receipts.

Special Revenue Fund Type:

Road and Bridge Fund

- Increase cash fund balance and intergovernmental receipts by \$2,478 to properly record homestead & rollback receipts.
- Increase intergovernmental revenues and decrease local tax receipts by \$2,527 to properly reflect tangible personal property reimbursements as intergovernmental receipts.

The following adjustments were necessary to properly state the Township's financial statements for the years ended December 31, 2010:

General Fund:

- Decrease cash fund balance and intergovernmental receipts by \$311 to properly record motor vehicle license tax receipts.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-GT-001 - (Continued)

- Increase intergovernmental receipts and decrease local tax receipts by \$2,640 to properly reflect homestead & rollback as intergovernmental receipts.
- Increase intergovernmental receipts and decrease local tax receipts by \$1,324 to properly reflect tangible personal property tax reimbursements as intergovernmental receipts.
- Increase Public Safety disbursements and decrease Health disbursements by \$2,742 to properly record EMA disbursements.

Special Revenue Fund Type:

Permissive Motor Vehicle License Tax Fund

- Increase the cash fund balance and intergovernmental receipts by \$824 to properly record permissive tax receipts.

Motor Vehicle License Tax Fund

- Decrease cash fund balance and intergovernmental receipts by \$824 to properly record permissive tax receipts.
- Increase cash fund balance and intergovernmental receipts by \$311 to properly record motor vehicle license tax receipts.

Road and Bridge Fund

- Increase intergovernmental receipts and decrease local tax receipts by \$4,880 to properly reflect homestead & rollback as intergovernmental receipts.
- Increase intergovernmental receipts and decrease local tax receipts by \$1,182 to properly reflect tangible personal property tax reimbursements as intergovernmental receipts.

The audited financial statements and Township records have been adjusted for the misstatements above. In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-GT-001 - (Continued)

We recommend the Township consult with their auditors, an accounting/consulting firm, and the Township Handbook and consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial reporting.

Client Response: The Fiscal Officer continues to work to provide a sound fiscal environment for the Township.

Finding Number	2011-GT-002
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Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the Clerk/Treasurer 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 Clerk/Treasurer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

For the year December 31, 2011, the Township had appropriations greater than actual resources in the following funds:

<u>Fund Type/Fund</u>	<u>Actual</u>		
	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue:</u>			
Motor Vehicle License Tax Fund	\$ 11,214	\$ 15,055	\$3,841
Gasoline Tax Fund	98,711	117,984	19,273

For the year December 31, 2010, the Township had appropriations greater than actual resources in the following funds:

<u>Fund Type/Fund</u>	<u>Actual</u>		
	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 128,431	\$ 157,958	\$ 29,527
<u>Special Revenue:</u>			
Motor Vehicle License Tax Fund	12,757	16,625	3,868
Gasoline Tax Fund	124,217	135,523	11,306

By appropriating more funds than actual resources, the Township is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Township monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend their appropriations accordingly.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-GT-002 - (Continued)

Client Response: The Township Board will attempt to approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2011-GT-003
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

For the year ended December 31, 2010, the following fund had disbursements which exceeded appropriations:

<u>Fund Type/Fund/Object</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
<u>Capital Projects:</u>			
<u>OPWC Fund</u>			
Capital Outlay	\$ -	\$ 30,719	\$ 30,719

With disbursements exceeding appropriations, the Township is spending monies that have not lawfully been appropriated by Township Council. This may result in unnecessary spending.

We recommend that the Township comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their disbursements so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Township Board will attempt to approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2011-GT-004
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.

Disbursements exceeded appropriations during 2010 due to the Township not timely or properly modifying its appropriations throughout the year.

By not timely and properly modifying the Township's appropriations, the Township is not adequately monitoring appropriations versus disbursements. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-GT-004 - (Continued)

We recommend that the Township comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: The Township will continue to attempt to modify appropriations in an efficient and accurate manner.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid; Explain:</u>
2009-001	<u>Material Weakness:</u> <u>Posting Receipts and Disbursements</u> - Certain receipts and disbursements were not properly posted to the fund and line item accounts as established by the Ohio Administrative Code Section 117-7-01.	No	Repeated as finding 2011-GT-001



Dave Yost • Auditor of State

GIBSON TOWNSHIP

MERCER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 21, 2012**