



**GILEAD TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

**GILEAD TOWNSHIP
MORROW COUNTY**

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Dave Yost • Auditor of State

Gilead Township
Morrow County
507 Dogwood Lane
Mount Gilead, Ohio 43338

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 Township 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.

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

Dave Yost
Auditor of State

August 8, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Gilead Township
Morrow County
507 Dogwood Lane
Mount Gilead, OH 43338

To the Board of Trustees:

We have audited the accompanying financial statements of Gilead Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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, 2010 and 2009 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, 2010 and 2009, 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 fund cash balances and reserves for encumbrances of Gilead Township, Morrow County, Ohio, as of December 31, 2010 and 2009, 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 August 8, 2011, 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.



Dave Yost
Auditor of State

August 8, 2011

**GILEAD TOWNSHIP
MORROW COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 45,936.78	\$ 277,245.58	\$ -	\$ 323,182.36
Licenses, Permits, and Fees	339.15	-	-	339.15
Intergovernmental	21,492.84	146,881.16	132,623.00	300,997.00
Earnings on Investments	82.48	-	-	82.48
Miscellaneous	-	17,561.44	-	17,561.44
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	67,851.25	441,688.18	132,623.00	642,162.43
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	67,903.94	-	-	67,903.94
Public Safety	-	140,870.16	-	140,870.16
Public Works	-	170,962.29	-	170,962.29
Health	1,832.26	52,632.01	-	54,464.27
Capital Outlay	2,025.00	56,231.75	132,623.00	190,879.75
Debt Service:				
Redemption of Principal	-	16,460.00	-	16,460.00
Interest and Other Fiscal Charges	-	801.44	-	801.44
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	71,761.20	437,957.65	132,623.00	642,341.85
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(3,909.95)	3,730.53	-	(179.42)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts:				
Other Financing Sources	1,300.00	-	-	1,300.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	1,300.00	-	-	1,300.00
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(2,609.95)	3,730.53	-	1,120.58
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	22,975.19	159,858.81	-	182,834.00
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	<u>\$ 20,365.24</u>	<u>\$ 163,589.34</u>	<u>\$ -</u>	<u>\$ 183,954.58</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 79.16</u>	<u>\$ -</u>	<u>\$ 79.16</u>

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

**GILEAD TOWNSHIP
MORROW 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**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 50,782.60	\$ 308,383.35	\$ -	\$ 359,165.95
Licenses, Permits, and Fees	339.15	-	-	339.15
Intergovernmental	35,880.03	124,168.02	252,874.00	412,922.05
Earnings on Investments	190.37	138.95	-	329.32
Miscellaneous	700.00	17,323.95	-	18,023.95
	<u>87,892.15</u>	<u>450,014.27</u>	<u>252,874.00</u>	<u>790,780.42</u>
Cash Disbursements:				
Current:				
General Government	120,334.67	-	-	120,334.67
Public Safety	-	143,863.62	-	143,863.62
Public Works	-	229,228.68	-	229,228.68
Health	2,381.90	54,130.80	-	56,512.70
Capital Outlay	609.00	-	252,874.00	253,483.00
Debt Service:				
Redemption of Principal	-	15,730.54	-	15,730.54
Interest and Other Fiscal Charges	-	1,593.41	-	1,593.41
	<u>123,325.57</u>	<u>444,547.05</u>	<u>252,874.00</u>	<u>820,746.62</u>
Total Receipts Over/(Under) Disbursements	<u>(35,433.42)</u>	<u>5,467.22</u>	<u>-</u>	<u>(29,966.20)</u>
Other Financing Receipts:				
Other Financing Sources	1,185.79	-	-	1,185.79
	<u>1,185.79</u>	<u>-</u>	<u>-</u>	<u>1,185.79</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(34,247.63)	5,467.22	-	(28,780.41)
Fund Cash Balance, January 1	57,222.82	154,391.59	-	211,614.41
Fund Cash Balance, December 31	<u>\$ 22,975.19</u>	<u>\$ 159,858.81</u>	<u>\$ -</u>	<u>\$ 182,834.00</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 79.16</u>	<u>\$ -</u>	<u>\$ 79.16</u>

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

**GILEAD TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Gilead Township, Morrow County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Mount Gilead, Morrow County, Ohio to provide fire services.

The Township participates in the Ohio Government Risk Management Plan (the "Plan") public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

Public Entity Risk Pool:

The Ohio Government Risk Management Plan (the "Plan") is a risk sharing pool available to Ohio Governments. The Plan provides property, casualty, and health coverage for its members.

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. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit 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:

**GILEAD TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

1. General Fund

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

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:

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

Fire District Fund – This fund receives special levy monies collected by the County for the purpose of providing fire protection and emergency medical services for the Township residents.

Road District Fund – This fund receives special levy monies for the purpose of constructing, maintaining and repairing Township roads and bridges.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Capital Outlay Fund – This fund accounts for Issue II grant monies received and expended on behalf of the Township by the Ohio Public Works Commission to repair and maintain roads within the Township.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of 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.

**GILEAD TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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 and investments at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$183,955	\$182,834

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

**GILEAD TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,461	\$69,151	(\$42,310)
Special Revenue	459,274	441,688	(17,586)
Capital Projects	132,623	132,623	0
Total	\$703,358	\$643,462	(\$59,896)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,436	\$71,761	\$62,675
Special Revenue	619,211	438,037	181,174
Capital Projects	0	132,623	(132,623)
Total	\$753,647	\$642,421	\$111,226

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,250	\$89,078	(\$63,172)
Special Revenue	446,195	450,014	3,819
Capital Projects	166,968	252,874	85,906
Total	\$765,413	\$791,966	\$26,553

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$209,473	\$123,326	\$86,147
Special Revenue	585,666	444,626	141,040
Capital Projects	0	252,874	(252,874)
Total	\$795,139	\$820,826	(\$25,687)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Outlay capital projects fund by \$132,623 and \$252,874 for the years ended December 31, 2010 and 2009, respectively.

**GILEAD TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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. Debt

During 2005, the Township issued and sold bonds to the First Knox National Bank of Mt. Vernon in the principal sum of \$75,000 bearing an interest rate of 5% per annum, for the purpose of constructing a garage/office complex for the use of Rivercliff Union Cemetery. The Township issued the bonds on behalf of the Cemetery because the Cemetery is not a body politic. Debt repayments are made by the Cemetery from proceeds of a special levy that are received directly by the Township and disbursed to the Cemetery. The debt repayments are recorded in the financial statements of the Township as redemption of principal and interest. The debt was paid off in 2010.

6. Retirement Systems

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, 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, 2010.

7. 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.

**GILEAD TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

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 does not participate in this coverage.

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, and include amounts for both OPRM and OPHC:

**GILEAD TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

	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	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

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Dave Yost • Auditor of State

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

Gilead Township
Morrow County
507 Dogwood Lane
Mt. Gilead, Ohio 43338

To the Board of Trustees:

We have audited the financial statements of Gilead Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 8, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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(A) mandates 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 finding 2010-003 described in the accompanying schedule of findings to be a material weakness.

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Gilead Township
Morrow County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

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. We consider finding 2010-002 described in the accompanying schedule of findings to be a significant deficiency.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 8, 2011.

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



Dave Yost
Auditor of State

August 8, 2011

**GILEAD TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

**Noncompliance Citation
Expenditures Exceeding Appropriations**

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level at which appropriations are approved by the Board of Trustees.

Expenditures exceeded appropriations at the fund, function, object level, which is the Township's legal level of control, in the following funds:

As of December 31, 2010

Fund #	Fund Name	Line Item	Appropriations	Actual Expenditures	Variance
4901	Capital Outlay	Capital Outlay	0	132,623	(132,623)

As of December 31, 2009

Fund #	Fund Name	Line Item	Appropriations	Actual Expenditures	Variance
2111	Fire District Fund	Public Safety	135,000	143,864	(8,864)
4901	Capital Outlay	Capital Outlay	0	252,874	(252,874)

We recommend the Fiscal Officer and the Board of Trustees monitor budget vs. actual reports throughout the year to ensure expenditures do not exceed appropriations at the legal level of control. In order to keep expenditures within appropriated amounts, the Board of Trustees may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another.

**GILEAD TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-002

**Significant Deficiency
Budgetary Posting (UAN vs. Budget Commission)**

The Township should post to its ledgers in a timely manner, the estimated receipts as certified to the County Budget Commission and the appropriations as approved by the Township Board to allow for effective budget versus actual monitoring of the Township financial activity.

As of December 31, 2009, the estimated receipts posted to the Township's ledgers and notes to the financial statements varied from the amounts certified by the County Budget Commission as follows:

Fund #	Fund Name	Estimated Receipts Posted	Estimated Receipts Certified by Budget Commission	Variance
1000	General	154,233	152,250	(1,983)
2021	Gasoline Tax	91,879	90,821	(1,058)
2111	Fire District	143,864	146,000	2,136
4901	Capital Outlay	252,874	166,968	(85,906)

As of December 31, 2010, the appropriations posted to the Township's ledgers and notes to the financial statements varied from the amounts approved by the Township Board as follows:

Fund #	Fund Name	Appropriations Posted	Appropriations Approved by Township Board	Variance
2021	Gasoline Tax	142,532	139,917	(2,615)
4901	Capital Outlay	132,623	0	(132,623)

As of December 31, 2009, the appropriations posted to the Township's ledgers and notes to the financial statements varied from the amounts approved by the Township Board as follows:

Fund #	Fund Name	Appropriations Posted	Appropriations Approved by Township Board	Variance
2111	Fire District	143,864	135,000	(8,864)
4901	Capital Outlay	252,874	0	(252,874)

Failure to accurately post budgeted amounts accurately and timely can result in the inability to effectively monitor budgeted vs. actual information, and thus, may impair the Township's ability to detect possible errors or irregularities.

We recommend that the Fiscal Officer accurately and timely post to the revenue and expenditure ledgers approved estimated receipts and appropriations.

**GILEAD TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2010-003

**Material Weakness
Financial Statement Presentation**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the December 31, 2010 financial statements and accounting records:

- 1) Reclassification of \$56,232 expenditure for the purchase of a new mower from Public Works to Capital Outlay in the Road District Fund.

The following reclassifications were inconsequential to the overall financial statements of the Township and were not posted to the December 31, 2010 financial statements:

- 1) Reclassification of \$339 of liquor permit fees from Licenses, Permits & Fees to Intergovernmental Revenues in the General Fund.

The following audit adjustments were made to the December 31, 2009 financial statements and accounting records:

- 1) Reclassification of \$35,574 of 2009 Property Taxes received from Intergovernmental Revenues to Property & Other Local Taxes in the Fire District Fund.

The following reclassifications were inconsequential to the overall financial statements of the Township and were not posted to the December 31, 2009 financial statements:

- 1) Reclassification of \$2,963 of homestead and rollback monies from Property & Other Local Taxes to Intergovernmental Revenues in the General Fund.
- 2) Reclassification of \$339 of liquor permit fees from Licenses, Permits & Fees to Intergovernmental Revenues in the General Fund.
- 3) Reclassification of \$2,144 of homestead and rollback monies from Property & Other Local Taxes to Intergovernmental Revenues in the Road & Bridge Fund.
- 4) Reclassification of \$2,963 of homestead and rollback monies from Property & Other Local Taxes to Intergovernmental Revenues in the Cemetery Fund.
- 5) Reclassification of \$7,590 of homestead and rollback monies from Property & Other Local Taxes to Intergovernmental Revenues in the Fire District Fund.
- 6) Reclassification of \$5,418 of homestead and rollback monies from Property & Other Local Taxes to Intergovernmental Revenues in the Road District Fund.
- 7) Reclassification of \$511 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the General Fund.

**GILEAD TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2010-003 (Continued)

Financial Statement Presentation (Continued)

- 8) Reclassification of \$1,576 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Fire District Fund.
- 9) Reclassification of \$1,136 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Road District Fund.
- 10) Reclassification of \$511 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Cemetery Fund.
- 11) Reclassification of \$1,533 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the General Fund.
- 12) Reclassification of \$1,533 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Cemetery Fund.
- 13) Reclassification of \$3,407 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Road District Fund.
- 14) Reclassification of \$1,533 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the General Fund.
- 15) Reclassification of \$1,533 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Cemetery Fund.
- 16) Reclassification of \$4,727 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Fire District Fund.
- 17) Reclassification of \$3,407 of TPP Reimbursements from Property & Other Local Taxes to Intergovernmental Revenues in the Road District Fund.
- 18) Reclassification of \$124 of Kilo Utility monies from Property & Other Local Taxes to Intergovernmental Revenue in the General Fund.

The reclassifications identified above should be reviewed by the Fiscal Officer and Board of Trustees to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the Township should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Township's activity.

Officials' Response: We did not receive a response from Officials to the above findings.

**GILEAD TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Posting receipts and disbursements to improper classifications	No	Not Corrected. Repeated in Management Letter.
2006-002	ORC 5705.40- Township did not budget receipts from the Rivercliff Union Cemetery or disbursements to First Knox Nation Bank.	Yes	
2008-003	ORC-5705.39- Appropriations exceeded estimated resources	No	Not Corrected. Repeated in Management Letter.

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Dave Yost • Auditor of State

GILEAD TOWNSHIP

MORROW 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
SEPTEMBER 20, 2011**