



Dave Yost • Auditor of State

**GASPER TOWNSHIP
PREBLE COUNTY**

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Dave Yost • Auditor of State

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.

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

Dave Yost
Auditor of State

July 9, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Gasper Township
Preble County
4195 Paint Creek Rd.
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, 2011 and 2010. 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.

The financial statements do not include financial data for the Township's blended component unit, the Gasper Township Fire and Rescue Association. We were unable to determine the amounts the Township should present for the omitted blended 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, 2011 and 2010 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, 2011 and 2010, 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 2011 and 2010 cash activity described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Gasper Township, Preble County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Gasper 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 July 9, 2012, 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

July 9, 2012

**GASPER TOWNSHIP
PREBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$94,303	\$327,001	\$421,304
Charges for Services		118,315	118,315
Intergovernmental	49,831	99,465	149,296
Earnings on Investments	211	36	247
Miscellaneous	403		403
<i>Total Cash Receipts</i>	<u>144,748</u>	<u>544,817</u>	<u>689,565</u>
Cash Disbursements			
Current:			
General Government	76,724	57,730	134,454
Public Safety		354,726	354,726
Public Works	127,966	156,061	284,027
Health	13,463		13,463
Capital Outlay	103,892		103,892
Debt Service:			
Principal Retirement	24,342		24,342
Interest and Fiscal Charges	2,284		2,284
<i>Total Cash Disbursements</i>	<u>348,671</u>	<u>568,517</u>	<u>917,188</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(203,923)</u>	<u>(23,700)</u>	<u>(227,623)</u>
Other Financing Receipts (Disbursements)			
Sale of Notes	100,000		100,000
Transfers In		45,628	45,628
Transfers Out	(45,628)		(45,628)
Advances In	15,500	15,500	31,000
Advances Out	(15,500)	(15,500)	(31,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>54,372</u>	<u>45,628</u>	<u>100,000</u>
<i>Net Change in Fund Cash Balances</i>	(149,551)	21,928	(127,623)
<i>Fund Cash Balances, January 1</i>	<u>148,415</u>	<u>148,459</u>	<u>296,874</u>
Fund Cash Balances, December 31			
Restricted	0	170,387	170,387
Unassigned (Deficit)	(1,136)	0	(1,136)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$1,136)</u></u>	<u><u>\$170,387</u></u>	<u><u>\$169,251</u></u>

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, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$94,918	\$317,897	\$412,815
Charges for Services		116,246	116,246
Intergovernmental	61,407	155,535	216,942
Earnings on Investments	421	50	471
Miscellaneous		1,513	1,513
	<u>156,746</u>	<u>591,241</u>	<u>747,987</u>
Cash Disbursements:			
Current:			
General Government	108,052	71,626	179,678
Public Safety		363,668	363,668
Public Works		305,502	305,502
Capital Outlay	148,826		148,826
Debt Service:			
Redemption of Principal	11,924		11,924
Interest and Other Fiscal Charges	1,389		1,389
	<u>270,191</u>	<u>740,796</u>	<u>1,010,987</u>
Total Cash Disbursements	<u>270,191</u>	<u>740,796</u>	<u>1,010,987</u>
Total Receipts Over/(Under) Disbursements	<u>(113,445)</u>	<u>(149,555)</u>	<u>(263,000)</u>
Other Financing Receipts / (Disbursements):			
Sale of Notes	100,195		100,195
Transfers-In		50,000	50,000
Transfers-Out	(50,000)		(50,000)
Advances-In	47,244	33,772	81,016
Advances-Out	(33,772)	(47,244)	(81,016)
	<u>63,667</u>	<u>36,528</u>	<u>100,195</u>
Total Other Financing Receipts / (Disbursements)	<u>63,667</u>	<u>36,528</u>	<u>100,195</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(49,778)	(113,027)	(162,805)
Fund Cash Balances, January 1	<u>198,193</u>	<u>261,486</u>	<u>459,679</u>
Fund Cash Balances, December 31	<u>\$148,415</u>	<u>\$148,459</u>	<u>\$296,874</u>
Reserve for Encumbrances, December 31	<u>\$1,705</u>	<u>\$4,983</u>	<u>\$6,688</u>

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

**GASPER TOWNSHIP
PREBLE COUNTY**

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

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 contracts with the Preble County Sheriff's Department to provide police protection.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 to the financial statements provide 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 9 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. 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 investments 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, 2011 AND 2010
(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:

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.

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

Police Levy Fund – This fund receives proceeds from the levy to provide police protection.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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. The Township had no fund balances in this classification at December 31, 2011.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Township had no fund balances in this classification at December 31, 2011.

5. Unassigned

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

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

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$169,249	\$296,874
Total deposits	\$169,249	\$296,874

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

3. Budgetary Activity

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

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,072	\$244,748	\$125,676
Special Revenue	627,638	590,445	(37,193)
Total	\$746,710	\$835,193	\$88,483

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$426,241	\$395,975	\$30,266
Special Revenue	693,582	573,422	120,160
Total	\$1,119,823	\$969,397	\$150,426

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,072	\$256,941	\$137,869
Special Revenue	643,903	641,241	(2,662)
Total	\$762,975	\$898,182	\$135,207

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,641	\$321,896	(\$196,255)
Special Revenue	725,600	745,779	(20,179)
Total	\$851,241	\$1,067,675	(\$216,434)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$196,254 and in the Gas Tax Fund by \$215,028 for the year ended December 31, 2010.

Contrary to Ohio law, appropriations exceeded estimated resources in the following funds: General Fund totaling \$155,676 (2011), EMS Fund totaling \$46,800 (2011) and Motor Vehicle License Fund totaling \$44,667 (2010).

Contrary to Ohio law, appropriations exceeded available resources in the following funds: General Fund by \$30,000, Motor Vehicle License Fund by \$11,607, EMS Fund by \$33,354 during 2011. Appropriations exceeded in the Motor Vehicle License Fund by \$54,906 during 2010.

Contrary to Ohio law, the General Fund had a negative fund balance at December 31, 2011.

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

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
2010 Ambulance Note	\$63,929	2.75%
2011 International Truck Note	100,000	3%
Total	\$163,929	

In 2011, the Township issued a general obligation note from the Farmers State Bank to finance the purchase of a new truck for Township road maintenance. The note is secured by the truck.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt (Continued)

In 2010, the Township issued a general obligation note to finance the purchase of a new ambulance for the Township. The note is secured by the ambulance.

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

Year ending December 31:	2010 Ambulance Note	2011 Truck Note
2012	\$13,313	\$26,851
2013	26,626	\$26,851
2014	26,626	\$26,851
2015	26,626	\$26,851
Total	\$66,565	\$107,404

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 these plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

7. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$9,189.

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

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$12,418	\$9,538

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

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. 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.



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*

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

To the Board of Trustees:

We have audited the financial statements of Gasper Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 9, 2012, which was qualified due to the omission of the Township's blended component unit, Gasper Township Fire and Rescue Association, and 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. Furthermore, we noted the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 and other deficiencies we consider to be significant deficiencies.

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 2011-05 and 2011-06 described in the accompanying schedule of findings to be material weaknesses.

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 findings 2011-04 and 2011-07 described in the accompanying schedule of findings to be significant deficiencies.

MATERIAL NONCOMPLIANCE

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 2011-01 through 2011-04 and 2011-06.

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 9, 2012.

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

July 9, 2012

**GASPER TOWNSHIP
PREBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

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.

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 94 percent of the transactions tested in 2011 and 87 percent of transactions tested in 2010. 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.

**FINDING NUMBER 2011-01
 (Continued)**

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 2011-02

Noncompliance Citation

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	Variances
General Fund (2011)	\$426,241	\$270,565	(\$155,676)
EMS Fund (2011)	\$367,600	\$320,800	(\$ 46,800)
Motor Vehicle License Fund (2010)	\$103,000	\$58,333	(\$ 44,667)

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 2011-03

Noncompliance Citation

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:

Fund	Appropriations	Disbursements	Variances
General Fund (2010)	\$125,641	\$321,895	(\$196,254)
Gas Tax Fund (2010)	\$40,000	\$255,028	(\$215,028)

**FINDING NUMBER 2011-03
 (Continued)**

Expenditures exceeding appropriations could result in negative cash balances in individual funds. 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. We recommend the Board approve all appropriation amendments in the minutes.

FINDING NUMBER 2011-04

Noncompliance Citation/Significant Deficiency

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 Certificate of Estimate	Resources Amended	Estimated Resources posted to the Township’s accounting system	Variance
Gas Tax Fund 2010		\$95,950	\$145,950	\$50,000
Fire and Ambulance District 2010		\$330,065	\$280,065	\$50,000
General Fund 2011		\$119,072	\$243,900	\$124,828
Motor Vehicle License Fund 2011		\$45,450	\$40,010	\$5,440
Gas Tax Fund 2011		\$95,950	\$94,850	\$1,100
Road and Bridge Fund 2011		\$92,438	\$98,000	\$5,562
Fire and Ambulance District 2011		\$313,800	\$319,000	\$5,200

Failure to properly post budgetary amounts to the Township’s accounting system could result in an inability to monitor activity. We recommend the Township post the correct amounts from the Amended Certificate of Estimated Resources to the UAN system. Any amendments should be entered into the system on a timely basis.

FINDING NUMBER 2011-05

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.”

**FINDING NUMBER 2011-05
(Continued)**

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 2011 and 2010 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.

FINDING NUMBER 2011-06

Noncompliance Citation/Material Weakness

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

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

Ohio Rev. Code 5705.10, requires that monies paid into any fund is used only for purposes for which such fund is established. At December 31, 2011, the Township had a negative cash fund balance in the General Fund of (\$1,136).

In addition, during 2010 and 2011, the following posting errors were noted:

- The Township posted the entire Homestead and Rollback revenue to the General Fund instead of allocating the revenue to the Road and Bridge Fund, EMS Fund and the Police Levy Fund.
- In the Motor Vehicle License Fund, the Township posted the Motor Vehicle License fees to the License, Permits and Fees line item instead of Intergovernmental line item.
- A Permissive Vehicle License Fee was posted to the Gas Tax Fund instead of the Motor Vehicle License Fund during 2011.
- During 2010, the Township posted Gas Tax Fees in the amount of \$43,043 to the Road and Bridge Fund instead of the Gas Tax Fund.
- Principal and interest payments were posted to the Capital Outlay line item in the General Fund during 2010 and 2011.
- Tax settlements receipts were posted at the net amount instead of recording the gross revenue and the corresponding fees.

**FINDING NUMBER 2011-06
 (Continued)**

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

Fund	Net Effect of Adjustments on Fund Balance Increase/(Decrease)
General	(\$90,830)
Motor Vehicle License Fund	\$3,586
Gas Tax Fund	(\$3,586)
Road and Bridge Fund	\$6,833
Police Levy Fund	\$25,318
EMS Fund	\$58,679

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

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

FINDING NUMBER 2011-07

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that payroll records are properly designed and maintained.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of payroll expenditures and periodically reconcile them to the accounting records.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

We noted the following conditions related to the Township's payroll process:

- The Township's fire department has an electronic time clock to track employee hours. The fire department's electronic time sheet program summarizes time as HH:MM where HH is the number of hours worked and MM is the number of minutes worked.

The Township submits the employees' time to a CPA firm to calculate the gross pay, withholdings, and net pay. When the payroll is submitted for processing, the hours are presented as HH.MM and the accounting firm processes the MM as a decimal rather than converting the minutes to the correct decimal. (IE. MM/100 instead of MM/60). This resulted in underpayments to the Township's fire employees.

**FINDING NUMBER 2011-07
(Continued)**

- Each pay period the Fiscal Officer uses a service provided by the bank to key the routing numbers, account numbers and the net pay for each employee via direct deposit. Checks are issued to the remaining employees. The amounts paid using the direct deposit feature are entered into the UAN system monthly; however, direct deposits are completed semi-monthly. The fiscal officer manually adds the payroll amounts from the reports processed for the month and posts the total monthly net pay to the UAN system. This causes fund balances to be overstated in the UAN system between the first pay of the month and the time that the total monthly amount is entered into the UAN.
- The Township does not maintain records to show the account number and the amount of payroll that was deposited for each employee for each of the direct deposits that are processed and therefore cannot be traced back to the net pay calculated by the CPA Firm.
- Only 3 of the 4 pay periods tested had time sheets that were properly approved by a supervisor. None of the timesheets tested were signed by the employees. The time sheet system indicates manual entries with "INS". There were no explanations or approvals detailing adjustments made to time sheets. Failure to have employee and management approval can result in inaccurate timesheets and improper pay.
- The employee's time sheets indicated overtime, however the employees were not paid at an overtime rate. To help ensure compliance with Fair Labor Standards the Township should identify the applicable laws, document them, and work with the timesheet program to ensure that proper wage rates are utilized.

To help strengthen the Township's internal control structure and reduce the likelihood of undetected errors, we recommend the Township's officials and management implement the following controls:

- Each payroll should be entered into the UAN system when it is processed to allow for accurate and timely reporting;
- The Township should develop a process that would help ensure that the time sheets agree to the hours used by the CPA firm to calculate the payroll amounts. Having a system to ensure hours used by the CPA firm agree to the time sheets will ensure that employees are paid the correct amount and prevent the Township from misappropriating funds;
- The Township should maintain a record of the direct deposits that are processed to help ensure that employee deposits are processed to the approved account at the correct amount;
- The Township should work with the accounting firm to ensure that both entities are aware of the time clock format that is used by the Township. This will help ensure that employees are paid the correct amount based on the correct time worked; and
- We recommend that all time sheets be signed by the employees and approved by management to help ensure that the employees are paid the proper amount.

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

**GASPER TOWNSHIP
PREBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	Failure to establish proper controls and procedures over recording financial activity.	No	Reissued as Finding 2011-07
2009-02	ORC § 5705.41(D)(1), failure to properly certify Funds.	No	Reissued as Finding 2011-01
2009-03	Ohio Rev. Code, Section 5705.36(A)(4), estimated receipts exceeded actual receipts.	No	Reissued as Finding 2011-02
2009-04	Ohio Admin. Code, Section 117-2-02(C)(1), estimated receipts were not properly posted to the accounting system.	No	Reissued as Finding 2011-05
2009-05	Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources.	No	Reissued as Finding 2011-03
2009-06	Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations.	No	Reissued as Finding 2011-04
2009-07	Ohio Rev. Code, Section 5705.14(E), transfers were not approved by resolution.	Yes	
2009-08	Failure to include the activity of the Fire and Rescue Association in the Township's financial Statements.	No	Reissued as Finding 2011-06

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Dave Yost • Auditor of State

GASPER TOWNSHIP

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 31, 2012**