

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2013 and 2012

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 Auditor's Report* of Gibson Township, Mercer County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 22, 2014

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**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1 - 2
Combined Statement of Fund Cash Balances - All Fund Types - December 31, 2013 and 2012	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For The Year Ended December 31, 2013	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For The Year Ended December 31, 2012	5
Notes to the Financial Statements	6 - 15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	16 - 17
Schedule of Findings and Responses	18 - 19
Schedule of Prior Audit Findings.....	20

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Gibson Township, Mercer County, Ohio, as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Gibson Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Gibson Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Gibson Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Gibson Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Gibson Township, Mercer County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014, on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gibson Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 11, 2014

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

COMBINED STATEMENT OF FUND CASH BALANCES
ALL FUND TYPES
DECEMBER 31, 2013 AND 2012

<u>Cash and Cash Equivalents</u>	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 192,964	\$ 261,540
Total Cash and Cash Equivalents	<u>\$ 192,964</u>	<u>\$ 261,540</u>
 <u>Fund Cash Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 140,350	\$ 191,299
Special Revenue Fund	<u>52,614</u>	<u>70,241</u>
Total Governmental Funds	<u>192,964</u>	<u>261,540</u>
 Total Fund Cash Balances	 <u>\$ 192,964</u>	 <u>\$ 261,540</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, 2013

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local Taxes	\$ 19,154	\$ 50,910	\$ 70,064
Intergovernmental	58,066	100,042	158,108
Earnings on Investments	42	12	54
Miscellaneous	2,640	-	2,640
Total cash receipts	<u>79,902</u>	<u>150,964</u>	<u>230,866</u>
Cash disbursements:			
Current:			
Public Safety	2,873	-	2,873
Health	6,850	-	6,850
Public Works	-	170,964	170,964
General Government	75,792	-	75,792
Capital outlay	50,000	63,492	113,492
Debt service:			
Principal Retirement	-	7,957	7,957
Interest and Fiscal Charges	-	178	178
Total cash disbursements	<u>135,515</u>	<u>242,591</u>	<u>378,106</u>
Total cash receipts (under)/over cash disbursements	<u>(55,613)</u>	<u>(91,627)</u>	<u>(147,240)</u>
Other financing receipts/(disbursements):			
Proceeds from sale of bonds	-	50,000	50,000
Proceeds from sale of fixed assets	6,000	24,000	30,000
Other financing uses	(1,336)	-	(1,336)
Total other financing receipts/(disbursements)	<u>4,664</u>	<u>74,000</u>	<u>78,664</u>
Net change in fund balances	(50,949)	(17,627)	(68,576)
Fund cash balances, January 1, 2013	<u>191,299</u>	<u>70,241</u>	<u>261,540</u>
Fund cash balances:			
Restricted	-	52,614	52,614
Unassigned	140,350	-	140,350
Fund cash balances, December 31, 2013	<u>\$ 140,350</u>	<u>\$ 52,614</u>	<u>\$ 192,964</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, 2012

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local Taxes	\$ 18,558	\$ 50,525	\$ -	\$ 69,083
Intergovernmental	207,340	102,807	31,629	341,776
Earnings on Investments	84	28	-	112
Miscellaneous	1,832	-	-	1,832
Total cash receipts	<u>227,814</u>	<u>153,360</u>	<u>31,629</u>	<u>412,803</u>
Cash disbursements:				
Current:				
Public Safety	2,967	-	-	2,967
Health	6,800	-	-	6,800
Public Works	-	119,736	28,000	147,736
General Government	75,042	-	-	75,042
Capital outlay	-	-	3,629	3,629
Debt service:				
Principal Retirement	-	7,644	-	7,644
Interest and Fiscal Charges	-	558	-	558
Total cash disbursements	<u>84,809</u>	<u>127,938</u>	<u>31,629</u>	<u>244,376</u>
Total cash receipts (under)/over cash disbursements	<u>143,005</u>	<u>25,422</u>	<u>-</u>	<u>168,427</u>
Other financing receipts/(disbursements):				
Other financing uses	(1,441)	-	-	(1,441)
Total other financing receipts/(disbursements)	<u>(1,441)</u>	<u>-</u>	<u>-</u>	<u>(1,441)</u>
Net change in fund balances	141,564	25,422	-	166,986
Fund cash balances, January 1, 2012	<u>49,735</u>	<u>44,819</u>	<u>-</u>	<u>94,554</u>
Fund cash balances:				
Restricted	-	70,241	-	70,241
Unassigned	191,299	-	-	191,299
Fund cash balances, December 31, 2012	<u>\$ 191,299</u>	<u>\$ 70,241</u>	<u>\$ -</u>	<u>\$ 261,540</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, 2013 AND 2012**

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, 2013 AND 2012**

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 - 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, 2013 AND 2012**

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, 2013 and 2012.

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 2013 or 2012.

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, 2013 or 2012.

D. Fund Balance

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, 2013 AND 2012

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, 2013 AND 2012**

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 \$54 and \$112 for the years ended December 31, 2013 and 2012, 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, 2013 AND 2012

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 48,535	\$ 85,902	\$ 37,367
Special Revenue	237,499	224,964	(12,535)
Total	<u>\$ 286,034</u>	<u>\$ 310,866</u>	<u>\$ 24,832</u>

2013 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 100,595	\$ 136,851	\$ (36,256)
Special Revenue	221,525	242,591	(21,066)
Total	<u>\$ 322,120</u>	<u>\$ 379,442</u>	<u>\$ (57,322)</u>

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 49,149	\$ 227,814	\$ 178,665
Special Revenue	159,272	153,360	(5,912)
Capital Projects	60,000	31,629	(28,371)
Total	<u>\$ 268,421</u>	<u>\$ 412,803</u>	<u>\$ 144,382</u>

2012 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 100,881	\$ 86,250	\$ 14,631
Special Revenue	199,115	127,938	71,177
Capital Projects	28,000	31,629	(3,629)
Total	<u>\$ 327,996</u>	<u>\$ 245,817</u>	<u>\$ 82,179</u>

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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>2013</u>	<u>2012</u>
Deposits: Demand deposits	\$ <u>192,964</u>	\$ <u>261,540</u>
Total Cash and Cash Equivalents	\$ <u><u>192,964</u></u>	\$ <u><u>261,540</u></u>

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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Series 2013 Bond	\$ <u>50,000</u>	<u>2.50%</u>

The Township issued bonds on August 29, 2013 for the purchase of a truck. The payments are scheduled to be made semi-annually, with the first payment due in 2014. The loan is scheduled to be paid off on August 1, 2018. The loan payments are split between the Gasoline Tax and Road and Bridge funds (both special revenue funds).

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 6 - DEBT - (Continued)

Transactions for the years ended December 31, 2013 and December 31, 2012 are summarized as follows:

<u>2013</u>	Balance at			Balance at
	<u>12/31/2012</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>12/31/2013</u>
Series 2013 Bond	\$ -	\$ 50,000	\$ -	\$ 50,000
Truck Loan	<u>7,957</u>	<u>-</u>	<u>(7,957)</u>	<u>-</u>
Total	<u>\$ 7,957</u>	<u>\$ 50,000</u>	<u>\$ (7,957)</u>	<u>\$ 50,000</u>
<u>2012</u>	Balance at			Balance at
	<u>12/31/2011</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>12/31/2012</u>
Truck Loan	<u>\$ 15,601</u>	<u>\$ -</u>	<u>\$ (7,644)</u>	<u>\$ 7,957</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>
2014	\$ 9,500
2015	9,800
2016	10,000
2017	10,200
2018	<u>10,500</u>
Total	<u>\$ 50,000</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, 2013 and 2012, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012, respectively. At December 31, 2013, all amounts for the years ended 2013 and 2012 have been paid.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 - RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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, 2012 and 2011 (the latest information available).

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 8 - RISK MANAGEMENT - (Continued)

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

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Township is not currently involved in litigation.

NOTE 10 - COMPLIANCE

The Township had expenditures exceeding appropriations at December 31, 2013 and 2012 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Gibson Township, Mercer County, Ohio, as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements and have issued our report thereon dated June 11, 2014 wherein we noted the Gibson Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statements audit, we considered the Gibson Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Gibson Township's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Gibson Township's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses or significant deficiencies may exist.

Board of Trustees
Gibson Township

Compliance and Other Matters

As part of reasonably assuring whether the 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 statements amounts. However, opining 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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* described in the accompanying schedule of findings and responses as items 2013-GT-001 and 2013-GT-002.

Entity's Responses to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Gibson Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Gibson Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 11, 2014
Julian & Grube, Inc.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-GT-001

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, 2013, the following funds had disbursements which exceeded appropriations:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
General	\$ 100,595	\$ 136,851	\$ 36,256
Special Revenue	221,525	242,591	21,066

The citation for the special revenue funds has been presented at the fund type level due to the practicality of determining the amounts.

For the year ended December 31, 2012, the following fund had disbursements which exceeded appropriations:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
Capital Projects	\$ 28,000	\$ 31,629	\$ 3,629

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	2013-GT-002
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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 2013 and 2012 due to the Township not timely or properly modifying its appropriations throughout the year.

**GIBSON TOWNSHIP
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-GT-002- (Continued)

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.

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, 2013 AND 2012**

<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>
2011-GT-001	<u>Significant Deficiency - Financial Statement Presentation</u> - Certain misstatements in the financial statements for the years ended under audit were not initially identified by the Township's internal control.	Yes	N/A
2011-GT-002	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.	Yes	N/A
2011-GT-003	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Repeated as finding 2013-GT-001
2011-GT-004	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	No	Repeated as finding 2013-GT-002



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
AUGUST 5, 2014**