



Dave Yost • Auditor of State

**GASPER TOWNSHIP
PREBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Gasper Township, Preble County, (the Township) 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 statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 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 adverse and qualified audit opinion.

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

As described in Note 1 of the financial statements, the 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 1 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 Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Special Revenue funds exclude cash receipts, disbursements and cash balances related to the Gasper Township Fire and Rescue Association account used for Fire Department donations and fund raisers during 2012 and 2013. We were unable to determine the amounts of the omitted account. We believe excluding this account is misleading since the Gasper Township Fire and Rescue Association provides financial resources exclusively to the Township, and therefore, the financial statements should include this activity.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Gasper Township, Preble County 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 1.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 9 to the financial statements, the Township posted adjustments to their General Fund resulting in a negative fund balance of (\$51,929) as of December 31, 2013. A negative General Fund balance may raise substantial doubt about the Township's ability to continue as a going concern. Note 9 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015, 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. 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 Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2015

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**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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$99,759	\$269,924	\$369,683
Charges for Services		82,487	82,487
Intergovernmental	60,172	172,008	232,180
Earnings on Investments	130	32	162
Miscellaneous		1,448	1,448
Total Cash Receipts	<u>160,061</u>	<u>525,899</u>	<u>685,960</u>
Cash Disbursements:			
Current:			
General Government	100,823	29,272	130,095
Public Safety		337,588	337,588
Public Works	123,884	104,633	228,517
Capital Outlay		18,107	18,107
Debt Service:			
Principal Retirement	24,768	25,742	50,510
Interest and Fiscal Charges	2,084	884	2,968
Total Cash Disbursements	<u>251,559</u>	<u>516,226</u>	<u>767,785</u>
Excess of Receipts Over (Under) Disbursements	<u>(91,498)</u>	<u>9,673</u>	<u>(\$81,825)</u>
Special Item	723		723
Net Change in Fund Cash Balances	<u>(90,775)</u>	<u>9,673</u>	<u>(81,102)</u>
Fund Cash Balances, January 1	<u>38,846</u>	<u>250,473</u>	<u>289,319</u>
Fund Cash Balances, December 31:			
Restricted		260,146	260,146
Unassigned	<u>(51,929)</u>		<u>(51,929)</u>
Fund Cash Balances, December 31	<u><u>(\$51,929)</u></u>	<u><u>\$260,146</u></u>	<u><u>\$208,217</u></u>

**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, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$98,871	\$267,217	\$366,088
Charges for Services		112,704	112,704
Intergovernmental	144,653	187,282	331,935
Earnings on Investments	124	35	159
Miscellaneous		150	150
Total Cash Receipts	<u>243,648</u>	<u>567,388</u>	<u>811,036</u>
Cash Disbursements:			
Current:			
General Government	111,513	55,993	167,506
Public Safety		332,056	332,056
Public Works	8,060	132,346	140,406
Debt Service:			
Principal Retirement	23,515	25,070	48,585
Interest and Fiscal Charges	3,336	1,557	4,893
Total Cash Disbursements	<u>146,424</u>	<u>547,022</u>	<u>693,446</u>
Excess of Receipts Over (Under) Disbursements	<u>97,224</u>	<u>20,366</u>	<u>117,590</u>
Other Financing Receipts (Disbursements):			
Sale of Capital Assets		2,000	2,000
Transfers In		1,720	1,720
Transfers Out	(1,720)		(1,720)
Advances In	9,000	65,000	74,000
Advances Out	(65,000)	(9,000)	(74,000)
Total Other Financing Receipts (Disbursements)	<u>(57,720)</u>	<u>59,720</u>	<u>2,000</u>
Special Item	478		478
Net Change in Fund Cash Balances	39,982	80,086	120,068
Fund Cash Balances, January 1	<u>(1,136)</u>	<u>170,387</u>	<u>169,251</u>
Fund Cash Balances, December 31:			
Restricted		250,473	250,473
Assigned	<u>38,846</u>		<u>38,846</u>
Fund Cash Balances, December 31	<u>\$38,846</u>	<u>\$250,473</u>	<u>\$289,319</u>

**GASPER TOWNSHIP
PREBLE COUNTY**

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

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 Gasper Township, Preble 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, 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 7 to the financial statements provides additional information for these entities. These organizations are:

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 8 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

The 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources (other than from private-purpose trusts or for capital projects) that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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. 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 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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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:

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact. The Township had no fund balances in this classification at December 31, 2013.

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, 2013.

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.

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.

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.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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 December 31 was as follows:

	2013	2012
Demand deposits	\$208,217	\$289,319
Total deposits	\$208,217	\$289,319

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

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,269	\$160,784	(\$3,485)
Special Revenue	752,176	525,899	(226,277)
Total	\$916,445	\$686,683	(\$229,762)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$314,641	\$251,559	\$63,082
Special Revenue	715,782	516,226	199,556
Total	\$1,030,423	\$767,785	\$262,638

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$213,994	\$253,126	\$39,132
Special Revenue	719,595	636,108	(83,487)
Total	\$933,589	\$889,234	(\$44,355)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,441	\$213,144	(\$79,703)
Special Revenue	697,250	556,022	141,228
Total	\$830,691	\$769,166	\$61,525

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$79,703 for the year ended December 31, 2012.

Contrary to Ohio law, appropriations exceeded estimated resources in the following funds: Special Levy Fund totaling \$14,404 (2012); General Fund totaling \$150,372 (2013); Motor Vehicle License Fund totaling \$22,258 (2013); Gas Tax Fund totaling \$6,659 (2013); and Special Levy Fund totaling \$40,274 (2013).

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

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, 2013 was as follows:

	Principal	Interest Rate
2010 Ambulance Note	\$13,117	2.75%
2011 International Truck Note	51,717	3%
Total	\$64,834	

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.

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
2014	\$13,131	\$26,851
2015	_____	\$26,851
Total	\$13,131	\$53,702

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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

B. 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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$8,124.

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.

**GASPER TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

Contributions to OTARMA	
2013	2012
<u>\$14,771</u>	<u>\$15,145</u>

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.

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.

9. GOING CONCERN

As the result of adjustments being posted that are a direct result of receipts being improperly posted throughout 2013 and 2012, the General Fund had a negative balance of (\$51,929) as of December 31, 2013.

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists, and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code.

Management's Plan Regarding Going Concern

The Township Trustees expect that actual revenue during 2014 will be enough to cover the negative fund balance. The Fiscal Officer will also reallocate some expenditures from the General Fund to other allowable funds.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, 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 Gasper Township, Preble County, (the Township) 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 January 20, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the omission of cash receipts, disbursements and cash balances related to the Gasper Township Fire and Rescue Association account used for Fire Department donations and fundraisers.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 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. We consider findings 2013-001 and 2013-006 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-005.

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 Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2015

**GASPER TOWNSHIP
PREBLE COUNTY**

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

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

FINDING NUMBER 2013-001

Material Noncompliance/Material Weakness

Ohio Rev. Code § 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.

In addition, during 2012 and 2013, 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 (2012- \$3,558; 2013- \$3,570), Police District Fund (2012- \$12,590; 2013- \$12,662) and Special Levy Fund (2012- \$29,048; 2013- \$29,174) for a total adjustment of \$45,196 in 2012 and \$45,406 in 2013.
- 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 in the amount of \$11,833 in 2012 and \$10,813 in 2013.
- During 2013, the Township posted Gas Tax Fees to the Road and Bridge Fund instead of the Gas Tax Fund in the amount of \$7,202.
- Principal and interest payments were posted to the Capital Outlay line item in the General Fund in the amount of \$26,851 in 2012 and in the amount of \$26,852 in 2013.
- Tax settlements receipts were posted at the net amount instead of recording the gross revenue and the corresponding fees in the following amounts: General (2012) - \$16,280; General (2013) - \$17,423; Road and Bridge (2012) - \$595; Road and Bridge (2013) - \$607; Police District (2012) - \$2,027; Police District (2013) - \$2,029; Special Levy (2012) - \$4,890; and Special Levy (2013) - \$4,999.
- In 2012, the expenditure for a tornado siren was posted to the Road and Bridge Fund rather than the General Fund in the amount of \$16,119.

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 Fund	(\$79,876)
Gasoline Fund	33,941
Road and Bridge Fund	16,045
Police District Fund	25,252
Special Levy Fund	4,638

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.

**FINDING NUMBER 2013-001
(Continued)**

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 2013-002

Material Noncompliance

Ohio Rev. Code §5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative fund balance of (\$51,929) at December 31, 2013 [adjusted].

We recommend the Township monitor fund balances and take corrective action and monitor the financial activity of the Township.

FINDING NUMBER 2013-003

Material Noncompliance

Ohio Rev. Code §5705.39 states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

During 2012, the Township's appropriations for their Special Levy Fund exceeded the estimated resources in the amount of \$14,404. The Township did not amend appropriations as a result of this.

In 2013, the Township's appropriations exceeded estimated resources in the General (\$150,372), Motor Vehicle License Tax (\$22,258), Gas Tax (\$6,659) and Special Levy (\$40,274) Funds. The Township did not amend appropriations as a result of this.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Township resources. We recommend that the Township monitor their budgetary activity on a monthly basis and make adjustments as required.

The Board should regularly review and amend their appropriations based on updates to their estimated resources. Additionally, the Board should review the certification of the County Budget Commission to ensure that their total appropriations do not exceed estimated resources.

FINDING NUMBER 2013-004

Material Noncompliance

Ohio Rev. Code §5705.41(B) states, in part, that no subdivision or taxing unit shall: (A) Make any appropriation of money except as provided in Chapter 5705 of the Revised Code. (B) Make any expenditure of money unless it has been appropriated as provided in such chapter.

FINDING NUMBER 2013-004
(Continued)

During 2012, the Township's expenditures exceeded the Board approved appropriations in the General Fund by \$79,703 and the Police District Fund by \$4,866.

Expenditures exceeding appropriations could result in negative cash balances in individual funds. The use of budgetary information as part of the expenditure process is an important internal control to help control spending and preventing the Township from spending more than their resources. We recommend that the Township review budgetary compliance on a monthly basis and make amendments as required.

We recommend that the Township review their Appropriations regularly and make adjustments to the appropriations as the situation arises.

FINDING NUMBER 2013-005

Material Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void. 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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time 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 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 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.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to 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. 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.
- C. Super Blanket Certificate** - The Township may also make expenditures and contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

FINDING NUMBER 2013-005
(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, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Within the sample selected for testing, 25 of the 37 (68%) disbursements tested were not properly encumbered at the time of commitment. There was approximately \$384,859 in expenditures that were not properly encumbered at the time of commitment. Of this amount, \$132,468 related to the General Fund and \$252,391 related to the Special Revenue Funds.

The Township Trustees should implement procedures to ensure that certifications for expenditures are properly completed prior to the expenditure of the Township's money.

FINDING NUMBER 2013-006

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 Township's financial statements to be misleading or incomplete."

The Fire and Rescue Association is a legally separate entity and the Township Board of Trustees cannot influence the Association's operations. The Association provided services entirely to the Township for donations and fund raisers in 2013 and 2012 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 which resulted in a qualified opinion.

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.

Official's Response:

Officials did not provide responses to any of the findings above.

**GASPER TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code 5705.41(D)(1) failure to properly certify funds.	No	Reissued as Finding 2013-005
2011-02	Ohio Rev. Code 5705.39 appropriations exceeded estimated resources.	No	Reissued as Finding 2013-003
2011-03	Ohio Rev. Code 5705.41(B) expenditures exceeded appropriations	No	Reissued as Finding 2013-004
2011-04	Ohio Admin. Code 117-2-02(C)(1) posting estimated resources to accounting system	No	Partially Corrected – Reissued as Management Letter Comment
2011-05	GASB Statement No. 14 component unit	No	Reissued as Finding 2013-006
2011-06	Ohio Rev. Code 5705.09(F) establishment of special funds; Ohio Rev. Code 5705.10; fund used for purpose established; Financial Statement Misstatements	No	Reissued as Finding 2013-001
2011-07	Payroll controls significant deficiency	No	Partially Corrected – Reissued as Management Letter Comment

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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
FEBRUARY 10, 2015**