



Dave Yost • Auditor of State

GUYAN TOWNSHIP
GALLIA COUNTY

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Dave Yost • Auditor of State

Guyan Township
Gallia County
1042 Rocky Fork Road
Crown City, Ohio 45623

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 12, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Guyan Township
Gallia County
1042 Rocky Fork Road
Crown City, Ohio 45623

To the Board of Trustees:

We have audited the accompanying financial statements of Guyan Township, Gallia 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 Government 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 Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding three 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.

As described in Finding 2011-01 in the accompanying Schedule of Findings, the Board of Trustees did not comply with requirements regarding the establishment of administrative procedures and did not keep records documenting their time spent on Township business and the type of services performed to support salary expenditures from the Special Revenue funds during 2011. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$19,796 and the Gasoline Tax Fund would have been increased by \$19,796.

Also, in our opinion, except for effects of such adjustments, if any, were made to the financial statement due to the errors described in the preceding two paragraphs, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Guyan Township, Gallia County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2010 the Guyan 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 12, 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 12, 2012

**GUYAN TOWNSHIP
GALLIA 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	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$16,937	\$4,881		\$21,818
Intergovernmental	20,369	94,671		115,040
Earnings on Investments	17	20	\$2	39
Miscellaneous	69	9,642		9,711
<i>Total Cash Receipts</i>	<u>37,392</u>	<u>109,214</u>	<u>2</u>	<u>146,608</u>
Cash Disbursements				
Current:				
General Government	20,484	409		20,893
Public Safety	300			300
Public Works	12,875	149,298		162,173
Health	4,408	567		4,975
Capital Outlay		4,400		4,400
Debt Service:				
Principal Retirement		21,231		21,231
Interest and Fiscal Charges		1,747		1,747
<i>Total Cash Disbursements</i>	<u>38,067</u>	<u>177,652</u>	<u>0</u>	<u>215,719</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(675)</u>	<u>(68,438)</u>	<u>2</u>	<u>(69,111)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		69,475		69,475
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>69,475</u>	<u>0</u>	<u>69,475</u>
<i>Net Change in Fund Cash Balances</i>	<u>(675)</u>	<u>1,037</u>	<u>2</u>	<u>364</u>
<i>Fund Cash Balances, January 1</i>	<u>896</u>	<u>35,122</u>	<u>2,010</u>	<u>38,028</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	2,012	2,012
Restricted	0	36,159	0	36,159
Unassigned (Deficit)	221	0	0	221
<i>Fund Cash Balances, December 31</i>	<u>\$221</u>	<u>\$36,159</u>	<u>\$2,012</u>	<u>\$38,392</u>

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

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$17,282	\$5,488			\$22,770
Intergovernmental	20,367	102,020	\$61,964		184,351
Earnings on Investments	19	22		\$2	43
Miscellaneous	36	12,882			12,918
<i>Total Cash Receipts</i>	<u>37,704</u>	<u>120,412</u>	<u>61,964</u>	<u>2</u>	<u>220,082</u>
Cash Disbursements					
Current:					
General Government	47,955				47,955
Public Safety	153				153
Public Works	7,905	75,905	61,964		145,774
Health	4,433	200			4,633
Capital Outlay		10,000			10,000
Debt Service:					
Principal Retirement		13,000			13,000
Interest and Fiscal Charges		1,438			1,438
<i>Total Cash Disbursements</i>	<u>60,446</u>	<u>100,543</u>	<u>61,964</u>	<u>0</u>	<u>222,953</u>
<i>Net Change in Fund Cash Balances</i>	(22,742)	19,869	0	2	(2,871)
<i>Fund Cash Balances, January 1</i>	<u>23,638</u>	<u>15,253</u>	<u>0</u>	<u>2,008</u>	<u>40,899</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	2,010	2,010
Restricted	0	35,122	0	0	35,122
Unassigned (Deficit)	896	0	0	0	896
<i>Fund Cash Balances, December 31</i>	<u>\$896</u>	<u>\$35,122</u>	<u>\$0</u>	<u>\$2,010</u>	<u>\$38,028</u>

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

**GUYAN TOWNSHIP
GALLIA 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 Guyan Township, Gallia 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. The Township formed the District Two Joint Fire District (the District) with Ohio Township, Gallia County in 2003. The District is directed by an appointed six-member Board of Trustees. One Board member is a Trustee appointed by Guyan Township, one Board member is a Trustee appointed by Ohio Township, and four Board members are firemen. The District provides fire protection and rescue services with the District and by contract to areas outside the District.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 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 and Investments

All cash assets of the Township are maintained in an interest bearing checking account.

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.

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (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 Fund:

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

3. Capital Project Funds

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

Public Works Commission Fund- The Township received a grant from the State of Ohio to repair a slip on Williams Ridge Road.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent funds:

Stewart Chapel Cemetery Bequest Fund – This fund received monies from a bequest where the income is used for the care, maintenance and beautification of the cemetery.

Bethel Cemetery Bequest Fund – This fund receive monies from a bequest where the income is used for the care, maintenance and beautification of the cemetery.

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 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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.

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:

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.

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.

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$38,392	\$38,028

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

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	\$48,014	\$37,392	(\$10,622)
Special Revenue	170,785	178,689	7,904
Permanent	0	2	2
Total	\$218,799	\$216,083	(\$2,716)

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,014	\$38,067	\$13,947
Special Revenue	190,285	185,976	4,309
Permanent	0	0	0
Total	\$242,299	\$224,043	\$18,256

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,997	\$37,704	(\$11,293)
Special Revenue	108,969	120,412	11,443
Capital Projects	61,964	61,964	0
Permanent	0	2	2
Total	\$219,930	\$220,082	\$152

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,000	\$60,446	\$3,554
Special Revenue	113,669	108,632	5,037
Capital Projects	61,967	61,964	3
Permanent	0	0	0
Total	\$239,636	\$231,042	\$8,594

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.

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Promissory Note	\$69,475	4%
OPWC Loan	3,070	0%
Total	\$72,545	

The Township issued a promissory note in 2011 to refinance the purchase of a John Deere tractor with attachments to be used for Township road maintenance and to finance slip repairs which would be reimbursed by FEMA. The tractor collateralized the note.

The Township obtained a no interest loan from the Ohio Public Works Commission (OPWC) for the matching share of an OPWC grant for a slip repair in the amount of \$3,778 in 2009. The Township pays \$472 per year. The full faith and credit of the Township is pledged to repay this debt.

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

	Promissory Note	OPWC
Year ending December 31:		
2012	\$69,475	\$708
2013		472
2014		472
2015		472
2016		472
2017		474
Total	\$69,475	\$3,070

6. Retirement Systems

The Township's Fiscal Officer, two Trustees, and employee belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include 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.

One Trustee has elected to participate in Social Security.

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

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 (the latest information available):

	<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 \$3,000.

**GUYAN TOWNSHIP
GALLIA COUNTY**

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

7. Risk Management (Continued)

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>
\$4,408	\$3,623

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. Subsequent Events

During 2011, the Township applied for FEMA assistance due to flood damage on several Township roads. Application for reimbursement for expenditures incurred as a result of the disaster were submitted prior to December 31, 2011. However, the reimbursement was not received until January 2012.



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

Guyan Township
Gallia County
1042 Rocky Fork Road
Crown City, Ohio 45623

To the Board of Trustees:

We have audited the financial statements of Guyan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 12, 2012, 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 qualified our opinion on the financial statements for 2011 and 2010 due to the Township not making a \$19,796 adjustment against the General Fund and in favor of the Gasoline Tax Fund. 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. In addition, we noted the Township has adopted Governmental Accounting Standards Board Statement No. 54. 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.

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 2011-01 through 2011-03 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, 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 2011-02.

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 12, 2012.

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

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



Dave Yost
Auditor of State

July 12, 2012

**GUYAN TOWNSHIP
GALLIA 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

Finding for Adjustment/Noncompliance Citation and Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on township business and the type of service(s) performed, in a manner similar to trustee's paid salary compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. This Attorney General Opinion was issued prior to the certification requirements of Ohio Revised Code Section 505.24, effective September 29, 2011, however, it is still applicable to audit periods prior to September 2011.

For 2011 and 2010, pursuant to a unanimously approved salary resolution, the salaries of the Board of Trustees were paid 10% from the General Fund and 90% from the Gasoline Tax Fund. However, the Board of Trustees did not establish administrative procedures or keep records documenting their time spent on Township business and the type of services performed on these funds. Trustees' salaries are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to other Township funds.

The Township charged 90% of the Trustees salaries to the Gasoline Tax Fund for a total of \$19,796, Notwithstanding the salary resolution, there was no documentation to support charging any portion of the Trustees salaries to this restricted fund. As a result of the foregoing facts, a Finding For Adjustment is hereby issued against the Township's General Fund in the amount of \$19,796 and in favor of the Gasoline Tax Fund.

The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township review Audit Bulletin 2011-007 and adopt formal administrative procedures regarding documenting the time spent by the Board of Trustees on various duties. Once these administrative procedures are established, trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping. Beginning in September 2011, this would include signing a certification of the allocation of payroll.

Officials response: Mr. Roger Watson had time documented for work completed on the FEMA projects. Two Trustees, Roger Watson and Paul Rossiter have several months of what they were doing daily. This documentation was kept with the FEMA documents and was not a uniform form that all Trustees used.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-02

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.10(H) states money paid into any fund shall be used only for the purposes for which such fund is established.

ORC 5735.27((A)5)(d) states, in part, that the county treasurer shall pay to each township within the county its proportional share of the motor vehicle fuel tax funds, which shall be expended by each township only for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest, and charges on obligations incurred pursuant to section [5531.09](#) of the Revised Code, and paying costs apportioned to the township under section [4907.47](#) of the Revised Code.

Ohio Rev. Code Section 4504.02 defines the restricted purposes of a Motor Vehicle License Tax. This Section states, in part, it is for the purpose of paying the costs of enforcing and administering the tax provided for in this section; and for planning, constructing, improving, maintaining, and repairing public roads, highways, and streets; maintaining and repairing bridges and viaducts.

The Trustees approved disbursements for cemetery mowing and maintenance totaling \$1,250 from the Motor Vehicle License Fund and \$7,058 from the Gasoline Tax fund. These expenditures are not consistent with the purpose of the Gasoline Tax Fund or the Motor Vehicle License Fund. Payment for activities of this type has resulted in adjustments to the financial statements.

We recommend the Trustees only approve payment for timesheets for activities that are allowable from restricted funds.

Officials Response: No response provided.

FINDING NUMBER 2011-03

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

2010

- The Township incorrectly posted Homestead and Rollback receipts from the State in the amount of \$1,484 as Taxes rather than Intergovernmental Receipts.
- The Township incorrectly posted the purchase of a used truck in the amount of \$10,000 as Public Works rather than as Capital Outlay.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2011-03
(Continued)**

Material Weakness (Continued)

- The Township incorrectly posted the payment on behalf by Ohio Public Works Commission for slip repairs in the amount of \$61,964 as Capital Outlay rather than as Public Works.
- The Township incorrectly posted the matching share of the Ohio Public Works Commission grant for slip repairs in the Gasoline Tax fund in the amount of \$6,885 as Capital Outlay rather than as Public Works.
- The Township incorrectly posted payments for mowing the cemeteries in the amount of \$2,650 to the Gasoline Tax Fund rather than to the General Fund.
- The Township incorrectly posted payments for mowing the cemeteries in the amount of \$1,250 to the Motor Vehicle License Fund rather than to the General Fund.
- The Township incorrectly posted culvert reimbursements to the General Fund rather than to the Gasoline Tax Fund in the amount of \$2,913.

2011

- The Township incorrectly posted Local Government Assistance from the County Auditor in the amount of \$1,242 as Taxes rather than Intergovernmental Receipts.
- The Township incorrectly posted payments for mowing the cemeteries in the amount of \$4,408 to the Gasoline Tax Fund rather than to the General Fund.
- The Township incorrectly posted Proceeds of Debt in the amount of \$58,000 as Intergovernmental Receipts. In addition, the Township did not post the refinancing of debt in the amount of \$10,830 for Debt Payments and \$645 as Debt Interest and Fiscal Charges.
- The Township posted health insurance premiums in the amount of \$3,253 to the Health line item in the General Fund rather than to the General Government line item.
- The Township incorrectly posted culvert reimbursements to the General Fund rather than the Gasoline Tax Fund in the amount of \$2,014.
- The Township incorrectly posted the purchase of a trailer in the amount of \$4,400 as Public Works instead of Capital Outlay.

The audited financial statements and Township accounting system reflect the above adjustments.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend that the Township Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Officials Reponse: In the 2010 and 2011 timeframe, two different fiscal officers were responsible for the financial reporting. The new fiscal officer took over in 2012 and will review the above suggested items to read.

**GUYAN TOWNSHIP
GALLIA 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>
2009-001	Ohio Rev. Code Section 5549.21 payment of expenditures for road reconstruction or repair from the general fund.	Yes	Finding no longer valid per House Bill 458
2009-002	Ohio Rev. Code Section 5705.41(D)(1) not certifying availability of funds prior to incurring an obligation.	No	Partially corrected. Reissued within the current management letter.
2009-003	Ohio Rev. Code Section 5705.42 not posting on behalf payments by OPWC to the Township ledgers.	Yes	
2009-004	Material Weakness for Incorrect Posting	No	Reissued as Finding 2011-03



Dave Yost • Auditor of State

GUYAN TOWNSHIP

GALLIA 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