



Mary Taylor, CPA
Auditor of State

GUYAN TOWNSHIP
GALLIA COUNTY

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Mary Taylor, CPA
Auditor of State

Guyan Township
Gallia County
12784 State Route 218
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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 7, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Guyan Township
Gallia County
12784 State Route 218
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, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate 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.

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The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Guyan Township, Gallia County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2008, 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.



Mary Taylor, CPA
Auditor of State

July 7, 2008

**GUYAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 16,706	\$	\$	\$	\$ 16,706
Intergovernmental	17,598	139,387	42,571		199,556
Earnings on Investments	224	160			384
Miscellaneous	19,328		20,000		39,328
Total Cash Receipts	<u>53,856</u>	<u>139,547</u>	<u>62,571</u>	<u>0</u>	<u>255,974</u>
Cash Disbursements:					
Current:					
General Government	23,909	1,101			25,010
Public Safety	45				45
Public Works	4,082	121,374			125,456
Health	3,911				3,911
Capital Outlay		37,700	67,468		105,168
Debt Service:					
Redemption of Principal		37,377			37,377
Interest and Other Fiscal Charges		3,089			3,089
Total Cash Disbursements	<u>31,947</u>	<u>200,641</u>	<u>67,468</u>	<u>0</u>	<u>300,056</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>21,909</u>	<u>(61,094)</u>	<u>(4,897)</u>	<u>0</u>	<u>(44,082)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes		64,777			64,777
Sale of Fixed Assets	9,183				9,183
Transfers-In			4,900		4,900
Transfers-Out	(4,900)				(4,900)
Total Other Financing Receipts/(Disbursements)	<u>4,283</u>	<u>64,777</u>	<u>4,900</u>	<u>0</u>	<u>73,960</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>26,192</u>	<u>3,683</u>	<u>3</u>	<u>0</u>	<u>29,878</u>
Fund Cash Balances, January 1	<u>18,777</u>	<u>25,335</u>	<u>0</u>	<u>2,000</u>	<u>46,112</u>
Fund Cash Balances, December 31	<u>\$ 44,969</u>	<u>\$ 29,018</u>	<u>\$ 3</u>	<u>\$ 2,000</u>	<u>\$ 75,990</u>

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

**GUYAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 15,609	\$	\$	\$ 15,609
Intergovernmental	17,880	104,947		122,827
Earnings on Investments	100	121		221
Miscellaneous	340	517	2,000	2,857
	<u>33,929</u>	<u>105,585</u>	<u>2,000</u>	<u>141,514</u>
Total Cash Receipts				
	<u>33,929</u>	<u>105,585</u>	<u>2,000</u>	<u>141,514</u>
Cash Disbursements:				
Current:				
General Government	25,007			25,007
Public Works	3,684	81,321		85,005
Health	801			801
Other	191			191
Debt Service:				
Redemption of Principal		9,497		9,497
Interest and Other Fiscal Charges		1,960		1,960
	<u>29,683</u>	<u>92,778</u>	<u>0</u>	<u>122,461</u>
Total Cash Disbursements				
	<u>29,683</u>	<u>92,778</u>	<u>0</u>	<u>122,461</u>
Total Cash Receipts Over/(Under) Cash Disbursements	4,246	12,807	2,000	19,053
Fund Cash Balances, January 1	14,531	12,528	0	27,059
Fund Cash Balances, December 31	<u>\$ 18,777</u>	<u>\$ 25,335</u>	<u>\$ 2,000</u>	<u>\$ 46,112</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, 2007 AND 2006**

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 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 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. Two Board members are Trustees appointed by Guyan Township, one Board member is a Trustee appointed by Ohio Township, and three 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. Cash

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.

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.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

The Township had the following significant Special Revenue Fund:

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

3. Capital Projects 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 Funds:

Public Works Commission Project Fund – The Township received a grant from the Ohio Public Works Commission for the Big Creek Road Project.

Miscellaneous Capital Projects Fund – This fund received monies from the Gallia County Local School Board of Education as part of a lawsuit settlement for relocation of the Township Garage.

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.

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 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.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Cash

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

	2007	2006
Demand deposits	\$ 75,990	\$ 46,112

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 74,822	\$ 63,039	\$ (11,783)
Special Revenue	163,625	204,324	40,699
Capital Projects	67,471	67,471	0
Total	\$ 305,918	\$ 334,834	\$ 28,916

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 71,088	\$ 36,847	\$ 34,241
Special Revenue	180,846	200,641	(19,795)
Capital Projects	67,471	67,468	3
Total	\$ 319,405	\$ 304,956	\$ 14,449

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 58,006	\$ 33,929	\$ (24,077)
Special Revenue	94,008	105,585	11,577
Permanent		2,000	2,000
Total	\$ 152,014	\$ 141,514	\$ (10,500)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 63,313	\$ 29,683	\$ 33,630
Special Revenue	113,158	92,778	20,380
Total	\$ 176,471	\$ 122,461	\$ 54,010

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund by \$25,163 for the year ended December 31, 2007.

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, 2007 AND 2006
(Continued)**

5. Debt

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Promissory Note	\$59,062	6.10%

The Township issued a promissory note to finance the purchase of a John Deere tractor with attachments to be used for Township road maintenance. The tractor collateralized the note.

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

Year ending December 31:	Promissory Note
2008	\$ 15,322
2009	15,322
2010	15,322
2011	15,322
2012	8,938
Total	\$ 70,226

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. Risk Management

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

Risk Pool Membership (Continued)

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$ 29,852,866	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Contributions to OTARMA

2005	\$	3,735
2006	\$	3,741
2007	\$	3,394

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

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Mary Taylor, CPA

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
12784 State Route 218
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, 2007 and 2006, and have issued our report thereon dated July 7, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Township's management in a separate letter dated July 7, 2008.

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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 7, 2008.

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 the management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 7, 2008

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Finding For Recovery Repaid Under Audit

Ohio Rev. Code Section 505.24 defines, in part, the maximum compensation allowed for Township Trustees based on their annual budget. During January and February 2007, the Township Trustees were entitled to annual compensation of \$7,132, or \$35.66 per day up to a maximum of 200 days, based on the Township's budget being between \$100,001 and \$250,000. During March through December 2007, the Township Trustees were entitled to annual compensation of \$8,258, or \$41.29 per day up to a maximum of 200 days, based on the Township's budget being between \$250,001 and \$500,000.

As stated above, the Trustees were entitled to be paid at the rate of \$35.66 per day from January 1, 2007 through February 28, 2007. From March 1, 2007 through December 31, 2007, the Township Trustees were entitled to be paid at the rate of \$41.29 per day. The Township, however, erroneously paid the Trustees at an incorrect rate for the entire year. The checks issuing the incorrect payments were signed by the Trustees and the Fiscal Officer. This resulted in each Township Trustee being overpaid as follows:

<u>Date Paid</u>	<u>Amount Paid</u>	<u>Maximum Statutory Compensation</u>	<u>Over/(Under) Payment</u>
1/30/2007	\$ 686.36	\$ 594.33	\$ 92.03
2/26/2007	686.36	594.33	92.03
3/31/2007	686.36	688.17	(1.81)
4/30/2007	686.36	688.17	(1.81)
5/31/2007	686.36	688.17	(1.81)
6/30/2007	686.36	688.17	(1.81)
7/31/2007	686.36	688.17	(1.81)
8/31/2007	686.36	688.17	(1.81)
9/30/2007	686.36	688.17	(1.81)
10/31/2007	686.36	688.17	(1.81)
11/30/2007	686.36	688.17	(1.81)
12/27/2007	686.36	688.17	(1.81)
Totals	<u>\$ 8,236.32</u>	<u>\$ 8,070.36</u>	<u>\$ 165.96</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Roy L. Jones, Roger A. Watson, and James Swain, Guyan Township Trustees, and their surety company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$165.96 for Roy L. Jones, \$165.96 for Roger A. Watson, and \$165.96 for James Swain, in favor of the General Fund in the amount of \$8.30 each and in favor of the Guyan Township Gasoline Tax Fund in the amount of \$157.66 each.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-001 (Continued)

Finding for Recovery Repaid Under Audit (Continued)

On July 29, 2008, Roy Jones, Township Trustee, issued a check to Guyan Township for \$165.96 as repayment. On July 28, 2008, Roger Watson, Township Trustee, issued a check to Guyan Township for \$165.96 as repayment. On July 25, 2008, James Swain, Township Trustee, issued a check to Guyan Township for \$165.96 as repayment.

Officials' Response: Excess expenditure has been repaid.

FINDING NUMBER 2007-002

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 507.09 defines, in part, the maximum compensation allowed for township fiscal officers based on their annual budget. During January and February 2007, the Fiscal Officer was entitled to annual compensation of \$9,633, based on the Township's budget being between \$100,001 and \$250,000. During March through December 2007, the Fiscal Officer was entitled to annual compensation of \$12,386, based on the Township's budget being between \$250,001 and \$500,000.

As stated above, the Fiscal Officer was entitled to be paid annual compensation of \$9,633 from January 1, 2007 through February 28, 2007. From March 1, 2007 through December 31, 2007, the Fiscal Officer was entitled to be paid annual compensation of \$12,386. The Township, however, erroneously paid the Fiscal Officer at the incorrect rate of \$1,027.76 per month for the entire year, until he resigned in September 2007. The checks issuing the incorrect payments were signed by the Trustees and the Fiscal Officer. This resulted in the Fiscal Officer being overpaid as follows:

<u>Date Paid</u>	<u>Amount Paid</u>	<u>Maximum Statutory Compensation</u>	<u>Over/(Under) Payment</u>
1/30/2007	\$ 1,027.76	\$ 802.75	\$ 225.01
2/26/2007	1,027.76	802.75	225.01
3/31/2007	1,027.76	1,032.17	(4.41)
4/30/2007	1,027.76	1,032.17	(4.41)
5/31/2007	1,027.76	1,032.17	(4.41)
6/30/2007	1,027.76	1,032.17	(4.41)
7/31/2007	1,027.76	1,032.17	(4.41)
8/31/2007	1,027.76	1,032.17	(4.41)
10/31/2007	102.78	103.22	(0.44)
Totals	<u>\$ 8,324.86</u>	<u>\$ 7,901.74</u>	<u>\$ 423.12</u>

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Finding For Recovery Repaid Under Audit (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Cody R. Boothe, Fiscal Officer, and his surety company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$423.12 in favor of the General Fund.

On July 25, 2008, Cody Boothe, Fiscal Officer, issued a check to Guyan Township for \$423.12 as repayment.

Officials' Response: Excess expenditure has been repaid.

FINDING NUMBER 2007-003

Noncompliance Finding

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Disbursements exceeded appropriations at December 31, 2007, in the Gasoline Tax Fund by \$25,163. Spending monies which have not been properly appropriated could result in deficit cash balances.

We recommend the Fiscal Officer monitor appropriation levels throughout the year and when it becomes apparent actual expenditures may exceed appropriations, request the Board of Trustees to approve increased appropriations and amend estimated resources if necessary.

Officials' Response: Fiscal Officer will monitor expenditures.

FINDING NUMBER 2007-004

Noncompliance Finding

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-004 (Continued)

Noncompliance Finding - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – The fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In 2007 and 2006, 8% and 15% of transactions tested, respectively, were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: Fiscal Officer will make sure of prior certification of funds.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-005

Noncompliance Finding

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2007, estimated resources as approved by the Budget Commission did not agree to the Township's accounting system for one fund. This was due, in part, to the Fiscal Officer not posting the February amended certificate to the UAN system. The variance and fund are as follows:

Fund	Estimated Revenue Approved by Budget Commission	Estimated Revenue Posted to UAN System	Variance
General	\$ 74,822	\$ 65,559	\$ (9,263)

At December 31, 2007, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system for two funds. The variances and funds are as follows:

Fund	Appropriations per Ordinances	Appropriations Posted to UAN System	Variance
General	\$ 71,088	\$ 70,725	\$ 363
OWC	42,571	52,686	(10,115)

At December 31, 2006, estimated resources as approved by the Budget Commission did not agree to the Township's accounting system for four funds. The variances and funds are as follows:

Fund	Estimated Revenue Approved by Budget Commission	Estimated Revenue Posted to UAN System	Variance
General	\$ 58,006	\$ 47,018	\$ (10,988)
Motor Vehicle	10,050	9,802	(248)
Gasoline Tax	78,080	82,938	4,858
Permissive MVR	5,000	4,759	(241)

GUYAN TOWNSHIP
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-005 (Continued)

Noncompliance Finding - Ohio Admin. Code Section 117-2-02(C)(1) (Continued)

At December 31, 2006, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system for one fund. The variance and fund are as follows:

Fund	per Ordinances	Posted to UAN System	Variance
FEMA	\$ 1,101	\$ 223	\$ (878)

Due to budgetary information being improperly entered into the system, the management of the Township lost some degree of budgetary control.

We recommend the Fiscal Officer accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board of Trustees into the UAN system and only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: Fiscal Officer will accurately post receipts and appropriations after certification and approval.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in several funds at the legal level of control.	No	Not Corrected; Re-issued in the current Schedule of Findings as Finding 2007-003.
2005-002	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in several funds.	No	Partially Corrected: Re-issued within the current management letter.
2005-003	Ohio Rev. Code Section 5705.41(D), not certifying availability of funds prior to incurring an obligation.	No	Partially Corrected: Re-issued in the current Schedule of Findings as Finding 2007-004.



Mary Taylor, CPA
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
AUGUST 19, 2008**