



**Auditor of State
Betty Montgomery**

GUYAN TOWNSHIP
GALLIA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Guyan Township
Gallia County
10597 State Route 218
Crown City, Ohio 45623

To the Board of Township 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, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 conduct the audit of 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Guyan Township, Gallia County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 9, the Township has several issues pertaining to low fund balances and significant unpaid obligations. Existence of these issues raises substantial doubt about the Township's ability to continue as a going concern.

Guyan Township
Gallia County
Independent Accountants' Report
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Township Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 7, 2004

**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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$6,333	\$8,983	\$15,316
Intergovernmental	20,391	139,811	160,202
Interest	41	37	78
Other Revenue	1,571	351	1,922
	<u>28,336</u>	<u>149,182</u>	<u>177,518</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	19,954	500	20,454
Public Safety		3,101	3,101
Public Works		110,986	110,986
Health	5,327		5,327
Debt Service:			
Redemption of Principal		19,126	19,126
Interest and Fiscal Charges		7,943	7,943
Capital Outlay		5,000	5,000
	<u>25,281</u>	<u>146,656</u>	<u>171,937</u>
Total Cash Disbursements			
Total Cash Receipts Over (Under) Cash Disbursements	<u>3,055</u>	<u>2,526</u>	<u>5,581</u>
Fund Cash Balances, January 1	<u>161</u>	<u>3,551</u>	<u>3,712</u>
Fund Cash Balances, December 31	<u>\$3,216</u>	<u>\$6,077</u>	<u>\$9,293</u>
Reserve for Encumbrances, December 31	<u>\$2,968</u>	<u>\$2,602</u>	<u>\$5,570</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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$4,333	\$9,017	\$13,350
Intergovernmental	36,856	260,166	297,022
Interest	63	70	133
Other Revenue	975	6,029	7,004
	<u>42,227</u>	<u>275,282</u>	<u>317,509</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	25,988		25,988
Public Safety		4,280	4,280
Public Works		51,844	51,844
Health	7,099		7,099
Debt Service:			
Redemption of Principal	30,479	18,651	49,130
Interest and Fiscal Charges	2,350	3,984	6,334
Capital Outlay		198,909	198,909
	<u>65,916</u>	<u>277,668</u>	<u>343,584</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(23,689)</u>	<u>(2,386)</u>	<u>(26,075)</u>
Other Financing Receipts:			
Other Financing Sources:			
Sale of Fixed Assets	24,008		24,008
	<u>24,008</u>		<u>24,008</u>
Total Other Financing Receipts			
	<u>24,008</u>	<u>0</u>	<u>24,008</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	319	(2,386)	(2,067)
Fund Cash Balances, January 1	<u>(158)</u>	<u>5,937</u>	<u>5,779</u>
Fund Cash Balances, December 31	<u>\$161</u>	<u>\$3,551</u>	<u>\$3,712</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$971</u>	<u>\$971</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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Guyan Township, Gallia County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance (public works) and fire protection (public safety). 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 within the District and by contract to areas outside the District.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund – This fund receives motor vehicle tax money for maintaining Township roads.

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

Fire Fund – This fund receives tax money for maintaining Township fire protection.

FEMA Fund – This fund receives Federal Emergency Management Agency funds to assist with emergency repairs to Township road and equipment in emergency situations.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$9,293</u>	<u>\$3,712</u>

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

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,661	\$28,336	(\$54,325)
Special Revenue	167,362	149,182	(18,180)
Total	\$250,023	\$177,518	(\$72,505)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,659	\$28,249	\$44,410
Special Revenue	167,994	149,258	18,736
Total	\$240,653	\$177,507	\$63,146

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,235	\$66,235	\$0
Special Revenue	273,400	275,282	1,882
Total	\$339,635	\$341,517	\$1,882

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,066	\$65,916	\$4,150
Special Revenue	282,399	278,639	3,760
Total	\$352,465	\$344,555	\$7,910

Contrary to Ohio law, the Township did not encumber all commitments. Also contrary to Ohio law, budgetary expenditures exceeded appropriations during the period as well as at December 31, 2003 and 2002.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Note - Truck	\$ 4,905	6.50%
Government Lease Purchase Agreement	12,659	5.75%
	<u>\$17,564</u>	

The general obligation note was obtained for a truck. The Lease Purchase Agreement was for a grader for the maintenance of roads. The lease and notes were collateralized by the equipment purchased and the Township's taxing authority.

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

	General Obligation Notes	Government Lease Purchase Agreement
Year ending December 31:		
2004	\$4,798	\$13,254
2005	346	
Total	<u>\$5,144</u>	<u>\$13,254</u>

A fire truck, previously owned by the Township, was transferred to the District Two Joint Fire District on December 1, 2003. The debt on the fire truck was transferred to the District Two Joint Fire District along with the fire truck.

At December 31, 2003, the Township had delinquent debt payments of \$1,488. The Township also had unpaid obligations in addition to the debt listed above. The Township owed an additional \$108,706.90 in unpaid invoices as described in Note 9.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS

The Township Clerk and Board of Trustees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS employee members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. FINANCIAL DIFFICULTY

As of December 31, 2003, the Township had a combined fund cash balance of \$9,293, but had unpaid invoices from 2001 and 2002 contracts incurred in the amount of \$108,706.90. A lien judgment was placed against the Township on March 27, 2003 in the amount of \$922 against all real estate owned for unpaid invoices. There were several discussions in the 2002 through 2004 minutes that the Township was unable to pay bills or meet payroll needs. The Township Trustees approved the Township Clerk to utilize State Emergency Management Agency (EMA) monies to pay for current operating expenses and debt payments instead of the invoices outstanding from the disasters the EMA funding was received for. These invoices are still outstanding as of December 7, 2004.

On December 6, 2004 the Township Trustees passed a motion for the Township to develop a resolution to levy a tax on Motor Vehicle License to generate revenue and passed a motion to borrow \$50,000 from a local bank to help pay part of the Township's outstanding bills.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Guyan Township
Gallia County
10597 State Route 218
Crown City, Ohio 45623

To the Board of Township 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, 2003 and 2002, and have issued our report thereon dated December 7, 2004 wherein we noted that the Township had low fund balances and significant unpaid obligations and wherein the financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested of its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated December 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2003-003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2003-003 listed above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated December 7, 2004.

This report is intended solely for the information and use of management and the Board of Township Trustees, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 7, 2004

GUYAN TOWNSHIP
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

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

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

Ninety-four percent of the transactions tested 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.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-001 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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

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

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township had expenditures that exceeded appropriations in the Motor Vehicle License Tax Fund by \$17,516, or 360% at June 30, 2003. Total appropriated was \$4,862 and total expended was \$22,378.

We recommend that the Township only expend monies that are appropriated.

FINDING NUMBER 2003-003

Material Weakness – Monitoring Financial Activity

The Township's management has not properly monitored the financial activity. The budgetary requirements set forth in Chapter 5705 of the Ohio Revised Code comprise a set of controls designed to prevent deficits. Failing to comply with key requirements of this Chapter can cause financial distress, such as the Township is currently experiencing.

1. As of December 31, 2003, the Township had a combined fund cash balance of \$9,293. Of that balance, the Township had incurred expenses of \$5,570 in 2003 but paid in 2004. In addition, the Township had unpaid invoices outstanding from expenses incurred in 2001-2002 of \$108,706.90. As of July 31, 2004 the balance of these unpaid invoices was \$108,413.81, which includes \$10,805.29 in finance charges assessed.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003 (Continued)

Material Weakness – Monitoring Financial Activity (Continued)

2. The Township did not effectively encumber disbursements for 94% of expenditures made in 2002-2003 which lead to over-obligation of funds.
3. Debt payments made during the audit period were consistently paid late. As of December 31, 2003, the Township had \$1,488 in principal and interest the Township did not pay on existing debt agreements. In addition, the Township paid \$2,499.98 in late fees on an operating loan paid in 2002.
4. A lien judgment was placed against the Township on March 27, 2003 in the amount of \$922 against all real estate owned by the Township for unpaid invoices.
5. Review of the invoices paid during the audit period showed that the Township did not pay their bills on a timely basis and in some cases were several months behind resulting in late fees being paid.
6. There were several discussions noted in the 2002 through 2004 minutes that the Township was unable to pay bills or meet payroll needs.
7. The Township Trustees approved the Clerk to utilize State Emergency Management Agency monies to pay for current operating expenses and debt payments instead of the invoices outstanding from the disaster for which they received payment from the State Emergency Management Agency. These invoices are still outstanding as noted in item #1 above.

As of October 31, 2004, the Township has a combined fund cash balance of \$23,972.70 which is not sufficient to pay outstanding invoices. In addition, the Township Clerk feels this amount will not be sufficient to pay the bills and payroll remaining for the 2004 year and no significant sources of revenue are expected before the end of the year.

Due to the above factors we feel the Township may be facing a fiscal emergency situation and presents a going concern issue.

The Township has sold assets in attempt to raise money but the Township Trustees should take a more active role of monitoring the financial activity of the Township. They should closely monitor funds to avoid obligating the Township for disbursements that exceed funds available and curb all non-emergency expenditures. We further recommend that the Township contact the State Emergency Management Agency to determine if repayment is required.

**GUYAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40727-001	Ohio Rev. Code Section 5705.41(D), not certifying availability of funds prior to incurring an obligation	No	Not Corrected. Reissued as Finding Number 2003-001.
2001-40727-002	Ohio Rev. Code Section 5705.41(B), no taxing unit is to only expend money that has been appropriated	No	Not Corrected. Reissued as Finding Number 2003-002.
2001-40727-003	Ohio Rev. Code Section 5705.10, using the cash of one fund to pay the obligations of another fund	Yes	
2001-40727-004	Material Weakness for a Going Concern for large debt obligations and negative fund balance	No	Not Corrected. Reissued as Finding Number 2003-003.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 28, 2004**