



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 8, 2010

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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, 2009 and 2008. 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. 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, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, 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 8, 2010, 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 8, 2010

**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, 2009**

|   | <u>Governmental Fund Types</u> |                            |                       | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Permanent</u>      |   |
| <b>Cash Receipts:</b>   |                                |                            |                       |   |
| Property and Other Local Taxes  | \$15,882                       | \$5,360                    | \$0                   | \$21,242                                |
| Intergovernmental   | 21,248                         | 129,919                    |                       | 151,167                                 |
| Earnings on Investments   | 122                            | 45                         | 6                     | 173                                     |
| Miscellaneous   | 596                            | 13,149                     |                       | 13,745                                  |
|   | <u>37,848</u>                  | <u>148,473</u>             | <u>6</u>              | <u>186,327</u>                          |
| <b>Total Cash Receipts</b>  |                                |                            |                       |   |
| <b>Cash Disbursements:</b>  |                                |                            |                       |   |
| Current:  |                                |                            |                       |   |
| General Government  | 42,100                         |                            |                       | 42,100                                  |
| Public Safety   | 200                            |                            |                       | 200                                     |
| Public Works  | 6,277                          | 134,425                    |                       | 140,702                                 |
| Health  |                                | 300                        |                       | 300                                     |
| Debt Service:   |                                |                            |                       |   |
| Redemption of Principal   |                                | 12,618                     |                       | 12,618                                  |
| Interest and Other Fiscal Charges   |                                | 2,091                      |                       | 2,091                                   |
|   | <u>48,577</u>                  | <u>149,434</u>             | <u>0</u>              | <u>198,011</u>                          |
| <b>Total Cash Disbursements</b>   |                                |                            |                       |   |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>  | <u>(10,729)</u>                | <u>(961)</u>               | <u>6</u>              | <u>(11,684)</u>                         |
| <b>Other Financing Receipts / (Disbursements):</b>  |                                |                            |                       |   |
| Other Debt Proceeds   |                                | 3,778                      |                       | 3,778                                   |
| Other Financing Uses  | (29)                           |                            |                       | (29)                                    |
|   | <u>(29)</u>                    | <u>3,778</u>               | <u>0</u>              | <u>3,749</u>                            |
| <b>Total Other Financing Receipts / (Disbursements)</b>   |                                |                            |                       |   |
| <b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b> | <u>(10,758)</u>                | <u>2,817</u>               | <u>6</u>              | <u>(7,935)</u>                          |
| <b>Fund Cash Balances, January 1</b>  | <u>34,393</u>                  | <u>12,436</u>              | <u>2,002</u>          | <u>48,831</u>                           |
| <b>Fund Cash Balances, December 31</b>  | <u><u>\$23,635</u></u>         | <u><u>\$15,253</u></u>     | <u><u>\$2,008</u></u> | <u><u>\$40,896</u></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, 2008**

|   | <u>Governmental Fund Types</u> |                            |                             |                       | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|-----------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Permanent</u>      |   |
| <b>Cash Receipts:</b>   |                                |                            |                             |                       |   |
| Property and Other Local Taxes  | \$14,370                       |                            | \$0                         | \$0                   | \$14,370                                |
| Intergovernmental   | 19,122                         | 103,495                    |                             |                       | 122,617                                 |
| Earnings on Investments   | 247                            | 108                        |                             | 2                     | 357                                     |
| Miscellaneous   | 3,001                          | 2,790                      |                             |                       | 5,791                                   |
| <b>Total Cash Receipts</b>  | <u>36,740</u>                  | <u>106,393</u>             | <u>0</u>                    | <u>2</u>              | <u>143,135</u>                          |
| <b>Cash Disbursements:</b>  |                                |                            |                             |                       |   |
| Current:  |                                |                            |                             |                       |   |
| General Government  | 34,928                         |                            |                             |                       | 34,928                                  |
| Public Works  | 1,928                          | 110,537                    |                             |                       | 112,465                                 |
| Health  | 3,745                          |                            |                             |                       | 3,745                                   |
| Capital Outlay  |                                |                            | 4,903                       |                       | 4,903                                   |
| Debt Service:   |                                |                            |                             |                       |   |
| Redemption of Principal   |                                | 9,938                      |                             |                       | 9,938                                   |
| Interest and Other Fiscal Charges   |                                | 2,500                      |                             |                       | 2,500                                   |
| <b>Total Cash Disbursements</b>   | <u>40,601</u>                  | <u>122,975</u>             | <u>4,903</u>                | <u>0</u>              | <u>168,479</u>                          |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>  | <u>(3,861)</u>                 | <u>(16,582)</u>            | <u>(4,903)</u>              | <u>2</u>              | <u>(25,344)</u>                         |
| <b>Other Financing Receipts / (Disbursements):</b>  |                                |                            |                             |                       |   |
| Transfers-In  |                                |                            | 4,900                       |                       | 4,900                                   |
| Transfers-Out   | (4,900)                        |                            |                             |                       | (4,900)                                 |
| Other Financing Uses  | (2,565)                        |                            |                             |                       | (2,565)                                 |
| <b>Total Other Financing Receipts / (Disbursements)</b>   | <u>(7,465)</u>                 | <u>0</u>                   | <u>4,900</u>                | <u>0</u>              | <u>(2,565)</u>                          |
| <b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b> | <u>(11,326)</u>                | <u>(16,582)</u>            | <u>(3)</u>                  | <u>2</u>              | <u>(27,909)</u>                         |
| <b>Fund Cash Balances, January 1, Restated see Note 2</b>   | <u>45,719</u>                  | <u>29,018</u>              | <u>3</u>                    | <u>2,000</u>          | <u>76,740</u>                           |
| <b>Fund Cash Balances, December 31</b>  | <u><b>\$34,393</b></u>         | <u><b>\$12,436</b></u>     | <u><b>\$0</b></u>           | <u><b>\$2,002</b></u> | <u><b>\$48,831</b></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, 2009 AND 2008**

**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 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 members is a Trustees 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 8 to the financial statements provide additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. 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 that is 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, 2009 AND 2008  
(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 Fund:

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. 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, 2009 AND 2008  
(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 cancelled and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

**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. Restatement of Beginning Balances**

The Township voided prior period checks in January, 2008. As a result, the January 1, 2008 balances were restated as follows:

| Fund Type    | 12/31/2007<br>Balance | Amount | Restated<br>1/1/2008<br>Balance |
|--------------|-----------------------|--------|---------------------------------|
| General Fund | \$ 44,969             | \$ 750 | \$ 45,719                       |

**3. 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:

|                 |          |          |
|-----------------|----------|----------|
|                 | 2009     | 2008     |
| Demand deposits | \$40,896 | \$48,831 |

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008, follows:

| 2009 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$56,367             | \$37,848           | (\$18,519) |
| Special Revenue                   | 154,423              | 152,251            | (2,172)    |
| Total                             | \$210,790            | \$190,099          | (\$20,691) |

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Budgetary Activity (Continued)**

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance        |
|-----------------|----------------------------|---------------------------|-----------------|
| General         | \$70,000                   | \$48,606                  | \$21,394        |
| Special Revenue | 156,020                    | 149,434                   | 6,586           |
| Total           | <u>\$226,020</u>           | <u>\$198,040</u>          | <u>\$27,980</u> |

2008 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
|------------------|----------------------|--------------------|------------------|
| General          | \$51,901             | \$36,740           | (\$15,161)       |
| Special Revenue  | 99,900               | 106,393            | 6,493            |
| Capital Projects | 4,897                | 4,900              | 3                |
| Total            | <u>\$156,698</u>     | <u>\$148,033</u>   | <u>(\$8,665)</u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance        |
|------------------|----------------------------|---------------------------|-----------------|
| General          | \$64,100                   | \$48,066                  | \$16,034        |
| Special Revenue  | 119,000                    | 122,975                   | (3,975)         |
| Capital Projects | 4,903                      | 4,903                     | 0               |
| Total            | <u>\$188,003</u>           | <u>\$175,944</u>          | <u>\$12,059</u> |

**5. 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, 2009 AND 2008  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2009, was as follows:

|                 | Principal | Interest Rate |
|-----------------|-----------|---------------|
| Promissory Note | \$35,539  | 5%            |
| OPWC Loan       | 3,778     | 0%            |
| Total           | \$39,317  |               |

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.

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 |         |
|--------------------------|------------|---------|
| Year ending December 31: | Note       | OPWC    |
| 2010                     | \$14,709   | \$472   |
| 2011                     | 14,709     | 472     |
| 2012                     | 8,577      | 472     |
| 2013                     |            | 472     |
| 2014                     |            | 472     |
| 2015-2017                |            | 1,418   |
| Total                    | \$37,995   | \$3,778 |

**7. Retirement Systems**

Two of the Township's Trustees 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 2009 and 2008, 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, 2009.

The Township's Fiscal Officer and one Trustee have elected to contribute to social security.

**8. 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.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Risk Management (Continued)**

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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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, 2008 and 2007 (the latest information available):

|             | <u>2008</u>         | <u>2007</u>         |
|-------------|---------------------|---------------------|
| Assets      | \$40,737,740        | \$43,210,703        |
| Liabilities | <u>(12,981,818)</u> | <u>(13,357,837)</u> |
| Net Assets  | <u>\$27,755,922</u> | <u>\$29,852,866</u> |

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$5,380.

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.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Risk Management (Continued)**

| <b>Contributions to OTARMA</b> |          |
|--------------------------------|----------|
| 2007                           | \$ 3,394 |
| 2008                           | \$ 2,961 |
| 2009                           | \$ 2,898 |

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, 2009 and 2008, and have issued our report thereon dated July 8, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes 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 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

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 Finding 2009-004 described in the accompanying Schedule of Findings to be a material weakness.

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A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2009-001 and 2009-003 described in the accompanying Schedule of Findings to be significant deficiencies.

### **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 2006-001 through 2006-003.

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 8, 2010.

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.



**Mary Taylor, CPA**  
Auditor of State

July 8, 2010

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2009-001**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5549.21 states, in part, the board of township trustees may purchase or lease such machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township, and shall provide suitable places for housing and storing machinery and tools owned by the township. It may purchase such material and employ such labor as is necessary for carrying into effect this section, or it may authorize the purchase or employment of such material and labor by one of its number, or by the township highway superintendent, at a price to be fixed by the board. All payments on account of machinery, tools, material, and labor shall be made from the township road fund.

Effective December 31, 2008, House Bill 458 made changes to R.C. 5705.05 and 5705.06. Formerly, pursuant to R.C. 5705.05 and 5705.06, townships were prohibited from using proceeds from a general levy for current expenses for the construction, reconstruction, resurfacing, or repair of roads and bridges. This had been interpreted as also prohibiting transfers from a township's general fund to their road and bridge fund, unless the general levy monies were segregated from those unrestricted portions of the general fund. The Bill, however, removes this statutory prohibition, and townships are no longer restricted from transferring general levy money to the road and bridge fund.

The County Commissioners provided an annual allocation of \$4,000 for each township to assist in road maintenance expenses. Trustees submit invoices to the Commissioners' office for payment by the County Auditor. The Township posted both the receipts and on-behalf expenditures to the General Fund in 2008. This resulted in an overstatement of receipts and expenditures in the General Fund and an understatement of receipts and expenditures in the Gasoline Tax Fund. The audited financial statements reflect the required adjustments.

While HB 458 allows these types of expenditures from the General Fund as of January 1, 2009, we recommend the Township review and follow statutes and requirements relating to allowable uses of funds in effect for the period the expenditures will be made.

**Officials' Response:**

The Fiscal Officer will continue to post the Commissioners' allocation to the General Fund since HB 458 allows these type of expenditures as of January 1, 2009.

**FINDING NUMBER 2009-002**

**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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

GUYAN TOWNSHIP  
GALLIA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)

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

FINDING NUMBER 2009-002 (Continued)

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

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 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. 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 2009 and 2008, 31% and 39% 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. In 2009 and 2008, 40% and 50% of the then and now certificates tested, respectively, exceeded the \$3,000 limit specified by statute and were not approved through resolution within 30 days of issuance.

The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also 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 the Fiscal Officer certify that funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2009-002 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Ohio Rev. Code 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:**

The Fiscal Officer will expand the use of purchase orders. When Then and Now certificates are used and exceed \$3,000, the certificate will be approved through resolution with 30 days.

**FINDING NUMBER 2009-003**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.42 states when the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code.

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting such excess.

Auditor of State Bulletin 2002-004 states the Ohio Public Works Commission (OPWC), will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed by the OPWC.

The Township did not record the 2009 receipt and expenditure of OPWC payments totaling \$37,784. This resulted in audit adjustments to the Gasoline Tax Fund. The audited financial statements reflect the above adjustments.

We recommend the Township record all on-behalf payments to their accounting system as outlined in the aforementioned bulletin. We also recommend the Township budget for the on-behalf receipts and expenditures.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2009-003 (Continued)**

**Noncompliance Citation and Significant Deficiency (Continued)**

**Officials' Response:**

The Fiscal Officer will record grant or loan monies in the Township's accounting system as outlined above.

**FINDING NUMBER 2009-004**

**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:

**2008**

- The Township incorrectly posted Permissive Motor Vehicle Tax receipts from the County Auditor for \$4,628 as Taxes rather than Intergovernmental Receipts and \$867 in Permissive Motor Vehicle Tax revenue to the Motor Vehicle License Tax Fund.
- The Township incorrectly posted reimbursements of \$2,080 as Intergovernmental Receipts rather than as Miscellaneous Receipts in the Gasoline Tax Fund.
- The Township incorrectly posted a local grant for \$4,000 from the County Engineer as Intergovernmental receipts and reported the related road repair and maintenance expenditures as Public Works in the General Fund. This should have been accounted for in the Gasoline Tax fund.

**2009**

- The Township incorrectly posted Permissive Motor Vehicle Tax receipts from the County Auditor for \$5,360 as Taxes rather than Intergovernmental Receipts.
- The Township did not report an OPWC grant and loan of \$34,006 and \$3,778, respectively, and the related on-behalf Public Works expenditures in the Gasoline Tax Fund.

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 the Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**Officials' Response:**

The Fiscal Officer will note the posting of receipts to the proper fund and receipt code.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2007-001       | Ohio Rev. Code Section 505.24 Finding for Recovery for overpayment of trustee compensation                  | Yes              |  |
| 2007-002       | Ohio Rev. Code Section 507.09 Finding for Recovery for overpayment of fiscal officer compensation.          | Yes              |  |
| 2007-003       | Ohio Rev. Code Section 5705.41(B) expenditures exceeded appropriations in the Gasoline Tax fund.            | Yes              |  |
| 2007-004       | Ohio Rev. Code Section 5705.41(D)(1) not certifying availability of funds prior to incurring an obligation. | No               | Not corrected. Re-issued in the current Schedule of Findings as Finding 2009-02  |
| 2007-005       | Ohio Admin. Code 117-02(C)(1) UAN system did not agree to approved budgetary amounts.                       | No               | Partially corrected. Re-issued within the current management letter.   |





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  
JULY 27, 2010