



Dave Yost • Auditor of State



GUYAN TOWNSHIP  
GALLIA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Guyan Township, Gallia County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

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

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

***Opinion on Regulatory Basis of Accounting***

Also, in our opinion, except for effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis* paragraphs, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Guyan Township, Gallia County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 18, 2014

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**GUYAN TOWNSHIP  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$18,580	\$5,141		\$23,721
Intergovernmental	10,026	403,824		413,850
Earnings on Investments	24	8	\$1	33
Miscellaneous		22,511		22,511
<i>Total Cash Receipts</i>	<u>28,630</u>	<u>431,484</u>	<u>1</u>	<u>460,115</u>
<b>Cash Disbursements</b>				
Current:				
General Government	17,236	409		17,645
Public Safety	326			326
Public Works	8,385	441,306		449,691
Health	6,000			6,000
Debt Service:				
Principal Retirement		27,597		27,597
Interest and Fiscal Charges		457		457
<i>Total Cash Disbursements</i>	<u>31,947</u>	<u>469,769</u>	<u>0</u>	<u>501,716</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,317)</u>	<u>(38,285)</u>	<u>1</u>	<u>(41,601)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds		15,921		15,921
Other Financing Uses	(22)			(22)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(22)</u>	<u>15,921</u>	<u>0</u>	<u>15,899</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,339)</u>	<u>(22,364)</u>	<u>1</u>	<u>(25,702)</u>
<i>Fund Cash Balances, January 1</i>	<u>5,379</u>	<u>45,516</u>	<u>2,013</u>	<u>52,908</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			2,014	2,014
Restricted		23,152		23,152
Assigned	2,040			2,040
<i>Fund Cash Balances, December 31</i>	<u>\$2,040</u>	<u>\$23,152</u>	<u>\$2,014</u>	<u>\$27,206</u>

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

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$17,698	\$4,945		\$22,643
Intergovernmental	24,644	224,418		249,062
Earnings on Investments	19	14	\$1	34
Miscellaneous	1,155			1,155
<i>Total Cash Receipts</i>	<u>43,516</u>	<u>229,377</u>	<u>1</u>	<u>272,894</u>
<b>Cash Disbursements</b>				
Current:				
General Government	23,712	409		24,121
Public Safety	405			405
Public Works	7,815	173,307		181,122
Health	6,425	485		6,910
Debt Service:				
Principal Retirement		69,937		69,937
Interest and Fiscal Charges		882		882
<i>Total Cash Disbursements</i>	<u>38,357</u>	<u>245,020</u>	<u>0</u>	<u>283,377</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,159</u>	<u>(15,643)</u>	<u>1</u>	<u>(10,483)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes		25,000		25,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
<i>Net Change in Fund Cash Balances</i>	5,159	9,357	1	14,517
<i>Fund Cash Balances, January 1</i>	<u>220</u>	<u>36,159</u>	<u>2,012</u>	<u>38,391</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			2,013	2,013
Restricted		45,516		45,516
Assigned	5,379			5,379
<i>Fund Cash Balances, December 31</i>	<u>\$5,379</u>	<u>\$45,516</u>	<u>\$2,013</u>	<u>\$52,908</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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Guyan Township, Gallia County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township formed the District Two Joint Fire District (the District) with Ohio Township in 2003. The District is directed by an appointed five-member Board of Trustees. One member is a Trustee 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 participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

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

These funds account for and report the proceeds of specific revenue sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specified purposes.. The Township had the following significant Special Revenue Funds:

**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

FEMA Fund - This fund receives Federal Emergency Management Agency (FEMA) money to pay for damages to Township roads caused by a federally declared disaster.

**3. 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, function, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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

**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$27,206	\$52,908

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

**3. Budgetary Activity**

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,281	\$28,630	(\$14,651)
Special Revenue	472,410	447,405	(25,005)
Permanent	0	1	1
Total	\$515,691	\$476,036	(\$39,655)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,660	\$31,969	\$16,691
Special Revenue	519,711	469,769	49,942
Permanent	0	0	0
Total	\$568,371	\$501,738	\$66,633

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,317	\$43,516	(\$1,801)
Special Revenue	383,344	254,377	(128,967)
Permanent	0	1	1
Total	\$428,661	\$297,894	(\$130,767)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,781	\$38,357	(\$576)
Special Revenue	239,858	245,020	(5,162)
Permanent	0	0	0
Total	\$277,639	\$283,377	(\$5,738)

**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

**4. Property Tax**

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

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

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

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$15,921	0%

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 \$15,921 in 2013. The Township pays \$1,990 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:

<u>Year ending December 31:</u>	<u>OPWC</u>
2014	\$1,990
2015	1,990
2016	1,990
2017	1,990
2018	1,990
2019-2021	<u>5,971</u>
Total	<u><u>\$15,921</u></u>

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of gross salaries. The Township has paid all contributions required through December 31, 2013.

One Trustee has elected to participate in Social Security.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

**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.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

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

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.



**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

**8. Risk Management**

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2012</u></b>
\$4,590	\$4,550

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Guyan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion on the financial statements for 2013 and 2012 due to the Township not making a \$19,796 adjustment against the General Fund and in favor of the Gasoline Tax Fund.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001, 2013-002, and 2011-001 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-003, 2013-004, and 2011-001.

***Entity's Response to Findings***

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 18, 2014

**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**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:

2012:

- The Township incorrectly posted Debt Principal and Interest Payments in the FEMA fund totaling \$69,652 as Public Works.
- The Township incorrectly posted Proceeds of Debt in the Gas Tax fund totaling \$25,000 as Intergovernmental Receipts.
- The Township incorrectly posted carry over appropriations in the General fund totaling \$5,379 as unassigned.

2013:

- The Township incorrectly posted Debt Principal and Interest Payments in the FEMA fund totaling \$25,457 as Public Works.
- The Township did not post payments made on their behalf by the Ohio Public Works Commission (OPWC) totaling \$159,205.
- The Township did not post Proceeds of Debt related to the OPWC project totaling \$15,921 or grant proceeds totaling \$143,284.
- The Township incorrectly posted Other Receipts such as insurance reimbursements in the Gas Tax fund totaling \$22,511 as Intergovernmental Receipts.
- The Township incorrectly posted carry over appropriations in the General fund totaling \$2,040 as unassigned.

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.

**FINDING NUMBER 2013-002**

**Material Weakness**

The Township should maintain an accounting system and accounting records sufficient to enable the Township to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-002  
(Continued)**

**Material Weakness (Continued)**

The following items were noted during testing and a scan of the Township's receipts, vouchers and timesheets for the years ended December 31, 2013 and December 31, 2012:

- Invoices were not provided for twenty-eight per cent of the vouchers selected for testing.
- Payments were made from statements rather than original invoices to City Ice and Fuel, O'Dell Lumber, and Carquest Auto Parts.
- Vouchers for contract labor were supported only by handwritten pieces of paper.
- Part-time employees' timesheets did not always indicate the type of work performed or the location to allow for proper fund allocation.
- Vouchers were missing from the files which indicated invoices supporting those expenditures were not on file.
- We noted an invoice from Wilks Trucking dated November 4, 2011 which was paid with check number 4211 dated August 21, 2013. There were other payments noted which included charges for items more than 30 days past due.
- Support was not provided for a receipt from US Bridge in the amount of \$27,778.

These practices could result in unauthorized purchases or incorrect or duplicate payments.

We recommend the Township establish control procedures that would allow them to determine the completeness and existence of receipts and expenditures and require all supporting documentation to be maintained in order for the Township to ensure that all receipts and disbursements are accurate and appropriate.

**FINDING NUMBER 2013-003**

**Noncompliance**

26 U.S.C. §3401, §3402, §3403, §3404, §3405, and §3102(a) require the employing government to withhold federal income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

The Fiscal Officer did not submit the Form 941 quarterly reports as required by the IRS for any of the four quarters of 2012 until July 19, 2013. Although the proper amount was remitted, the total reported on the quarterly Form 941's for 2012 was \$196 less than the amount remitted. In addition, she did not submit the required Form 941 reports for any of the four quarters of 2013 until March 26, 2014. The payments for the 2013 payroll taxes totaling \$2,392.81 were not remitted to the IRS until March 27, 2014. This could result in charges for penalties and interest for the Township.

We recommend the Fiscal Officer remit the required amounts and file the required reports when completing the last payroll of each quarter to avoid accrual of interest and penalties.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-004**

**Noncompliance**

Ohio Revised Code § 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.

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 §§ 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Village.

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 entity 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.

The Fiscal Officer did not certify the availability of funds prior to purchase commitment for 63% of the expenditures tested during 2013 and 2012. There was no evidence that the Township followed the aforementioned exceptions.

It was noted that a number of purchase orders with 2012 dates were signed by a Trustee who did not take office until 2013. Purchase orders were not printed for 37% of the items selected. This would indicate the Fiscal Officer did not present these items for approval prior to commitment.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-004  
(Continued)**

**Noncompliance - Ohio Revised Code § 5705. 41(D)(1) (Continued)**

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 fund balances.

Unless the Township uses the exceptions noted above, 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 obligation by the Township. When prior certification is not possible, "then and now" certification should be used. In addition, the budgetary presentation should include outstanding encumbrances at year end.

We recommend the Trustees 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 certification language Ohio Rev. Code § 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 Ohio Rev. Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2011-01**

**Noncompliance/Finding for Adjustment/Material Weakness**

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

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



**GUYAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2011-01  
(Continued)**

**Noncompliance/Finding for Adjustment/Material Weakness - Ohio Rev. Code § 505.24(C)  
(Continued)**

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

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

We recommend the Township review Audit Bulletin 2011-007 and adopt formal administrative procedures regarding documenting the time spent by the Board of Trustees on various duties. Once these administrative procedures are established, trustee salaries and related benefits should be charged to the applicable funds in accordance with the signed certification of the allocation of payroll.

**Officials' Response:** The Township Fiscal Officer has tendered her resignation effective May 1, 2014. The Trustees will appoint a new fiscal officer who will work with the Auditor of State's office and the County Auditor to resolve these issues.

**GUYAN TOWNSHIP  
GALLIA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	ORC 505.24(C) Trustee salary allocation.	No	Not Corrected. Re-issued as Finding Number 2011-001.
2011-02	ORC 5705.10(H) Cemetery costs charged to MVL and Gas Tax funds.	Yes	
2011-03	Material weakness for posting errors.	No	Not Corrected. Re-issued as Finding Number 2013-001.



# Dave Yost • Auditor of State

**GUYAN TOWNSHIP**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 01, 2014**